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GENOR BIOPHARMA HOLDINGS LIMITED

嘉和生物藥業(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6998)

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION –
PROPOSED MERGER BETWEEN THE MERGER SUB AND
THE TARGET INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) REVERSE TAKEOVER INVOLVING THE NEW LISTING APPLICATION;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF
THE SHAREHOLDER PERSONNEL;
(5) PROPOSED CHANGE OF COMPANY NAME;
(6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY;
(7) PROPOSED ADOPTION OF THE ONE-OFF SHARE OPTION PLAN;
AND
(8) NOTICE OF EGM

Target



Joint Sponsors to the New Listing Application

Morgan Stanley

浦銀國際 SPDBI

Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and
the Independent Shareholders



A letter from the Board is set out on pages 62 to 110 of this circular. A letter from the Listing Rules IBC containing its advice to the Independent Shareholders is set out on pages 111 to 112 of this circular. A letter from the Takeovers Code IBC containing its advice to the Independent Shareholders is set out on pages 113 to 114 of this circular. A letter from the Independent Financial Adviser containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders is set out on pages 115 to 151 of this circular.

A notice convening an extraordinary general meeting of Genor Biopharma Holdings Limited to be held at Room 501-02, 5/F, Building 6, 690 Bibo Road, Pudong New District, Shanghai, China on Monday, 22 December 2025 at 10:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A proxy form for use at the extraordinary general meeting is enclosed with the notice of the extraordinary general meeting. Such proxy form is also published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (www.genorbio.com). Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the completed proxy form to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd. at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish and in such event, the proxy form shall be deemed to be revoked.

* For identification purpose only

5 December 2025

EXPECTED TIMETABLE

The following expected timetable is indicative only and is subject to change. If necessary, further announcements in relation to any revised timetable will be published as and when appropriate.

EventsTime and Date^(Note 1)

Despatch of this circularFriday, 5 December 2025

Latest time for lodging transfer of shares for
the purpose of ascertaining shareholders'
entitlements to attend and vote at the EGM4:30 p.m. on
Wednesday, 17 December 2025

Register of members closes to
determine the qualification for attendance
and voting at the EGM (both dates inclusive)Thursday, 18 December 2025 to
Monday, 22 December 2025

Latest time for lodging forms of proxy for the EGM10:00 a.m. on
Saturday, 20 December 2025

Record date for the EGMMonday, 22 December 2025

EGM10:00 a.m. on
Monday, 22 December 2025

Announcement of the results of the EGMMonday, 22 December 2025

If approvals sought at the EGM are obtained:

Expected date of Merger ClosingTuesday, 30 December 2025^(Note 2)

Expected effective date of the change of Company nameTuesday, 30 December 2025^(Note 2)

Notes:

1. All times and dates in this circular refer to Hong Kong local time and dates unless otherwise specified.
2. Assuming all Merger Conditions Precedent are fulfilled or waived (where applicable) pursuant to the Merger Agreement.

CONTENTS

	<i>Page</i>
Expected Timetable	i
Contents	ii
Summary	1
Definitions	25
Glossary of Technical Terms	51
Forward-looking Statements	65
Corporate Information	67
Directors and Parties Involved	69
Letter from the Board	75
Letter from the Listing Rules IBC	142
Letter from the Takeovers Code IBC	144
Letter from the Independent Financial Adviser	146
Risk Factors	202
Waivers from Strict Compliance with the Listing Rules	260
Industry Overview	275
Regulations	313
History, Development and Corporate Structure of the Target Group	357
Business of the Group	382
Business of the Target Group	392
Relationship with Controlling Shareholders of the Enlarged Group	491
Continuing Connected Transaction of the Enlarged Group	505
Substantial Shareholders	514
Proposed Directors and Senior Management of the Enlarged Group	517
Financial Information of the Target Group	533

CONTENTS

Share Capital		604
Appendix I	– Accountants’ Report of the Target Group	I-1
Appendix II	– Financial Information of the Group	II-1
Appendix III	– Unaudited Pro Forma Financial Information of the Enlarged Group	III-1
Appendix IV	– Summary of the Constitution of the Company and Cayman Islands Company Law	IV-1
Appendix V	– Target Group Valuation Report	V-1
Appendix VI	– Statutory and General Information	VI-1
Appendix VII	– Documents on Display	VII-1
Notice of EGM		EGM-1

SUMMARY

THE PROPOSED MERGER

On 13 September 2024 (before trading hours), the Company, the Target and the Merger Sub (a wholly-owned subsidiary of the Company) entered into the Merger Agreement.

Subject to the terms and conditions in the Merger Agreement and in accordance with the Cayman Companies Act, the Company will acquire the Target by way of merger whereby, at the Merger Effective Time, the Merger Sub will be merged with and into the Target, with the Target as the surviving entity and becoming a wholly-owned subsidiary of the Company, and in consideration therefor, the Company will allot and issue Consideration Shares to the Target Shareholders.

On 24 January 2025, the Company, the Target and the Merger Sub entered into the Amendment Agreement in relation to, among other things, the extension of the New Listing Application Deadline and the Long Stop Date.

The Proposed Merger constitutes a reverse takeover for the Company under Rule 14.06B of the Listing Rules on the basis that the Proposed Merger (i) constitutes a very substantial acquisition and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and (ii) involves an acquisition of assets from the Target which will result in a change in control (as defined under the Takeovers Code) of the Company immediately after the allotment and issue of the Consideration Shares. In addition, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Enlarged Group must be able to meet the basic listing eligibility requirements of the Listing Rules. The Company must also comply with the procedures and requirements for new listing applicants as set out in Chapter 9 of the Listing Rules. The Company seeks to list under Rule 8.05(1) of the Listing Rules.

Further details of the Proposed Merger are set out in the section headed “Letter from the Board” in this circular.

BUSINESS OF THE TARGET GROUP

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from multinational pharmaceutical companies (“MNC”) and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs. In over 20 years of operations, the Target Group has successfully brought multiple innovative drugs to market in China, reflecting its strong clinical development and management capabilities. Moreover, the Target Group has demonstrated high-quality manufacturing, supply chain management, technology transfer and quality control systems through operating the production facilities and management systems transferred from MNCs in its historical asset acquisitions.

SUMMARY

COMPETITIVE STRENGTHS OF THE TARGET GROUP

The Target Group believes the following competitive strengths have contributed, and will continue to contribute to their success and will continue to drive its future growth: (i) the Target Group is an integrated specialty biopharmaceutical company with comprehensive capabilities and a robust and competitive product portfolio of originator-branded drugs and innovative drugs; (ii) the Target Group has highly effective and efficient commercialisation capabilities to support stable growth; (iii) the Target Group has lean production, supply chain and quality management capabilities; and (iv) the Target Group has recorded year-over-year growth in revenue and maintained profitability. For details of the Target Group's competitive strengths, please see "Business of the Target Group – Competitive Strengths of the Target Group" in this circular.

BUSINESS OF THE GROUP

The Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs. During the Track Record Period, the key pipeline products of the Group are set out below:

- *GB491*, a differentiated CDK4/6 inhibitor, has also been approved by the NMPA for two indications in HR+/HER2- locally advanced or metastatic breast cancer in May 2025 and the Group has begun to advance the commercialisation of GB491;
- *GB261*, a novel CD3/CD20 bispecific antibody, is currently in clinical development for autoimmune diseases and has been out-licensed to the U.S.-based partner Candid Therapeutics, with global trials ongoing; and
- *GB263T* (targeting EGFR/cMET/cMET) and *GB268* (targeting PD-1, CTLA-4, and VEGF), two innovative tri-specific antibody candidates, are progressing through preclinical and early clinical stages.

The Proposed Merger will support the next stage of the business and development of the Group as an integrated biopharmaceutical company. The Proposed Merger is a key step for the Company to transform into a developed and fully integrated biopharmaceutical company, shaping its strategic priorities for the next phase of growth, which include accelerating the commercialisation of its approved product GB491 in China to build a strong commercial foundation and enhance cash flow generation; prioritizing resources to advance key pipeline assets through critical clinical stages, while leveraging strategic out-licensing partnerships to share development costs, access global expertise, continuing to invest in and optimize its multi-specific antibody technology platform to drive the generation of novel drug candidates; and actively building the commercial, manufacturing, and regulatory capabilities needed to evolve into a fully integrated biopharmaceutical company with a global footprint.

During the Track Record Period, the Group did not experience any impact of tariff or export controls in terms of its R&D development, clinical trials, business operation and financial performance of the Group, including its business cooperation with its U.S. business partners.

SUMMARY

COMPETITIVE STRENGTHS OF THE GROUP

The Group believes that the following competitive strengths have differentiated it from its competitors: (i) robust in-house discovered pipeline of assets with broad potential in oncology and autoimmune diseases; (ii) integrated R&D capabilities covering the full drug development lifecycle, highlighted by validated advanced multi-specific antibody technology platform; and (iii) proven track record of global partnerships to maximise pipeline value and drive further growth. For details of the Group's competitive strengths, please see "Business of the Target Group – Competitive Strengths of the Group" in this circular.

BUSINESS STRATEGIES OF THE ENLARGED GROUP

The Enlarged Group aims to become an internationally recognized biopharmaceutical MNC in China, with robust biologics discovery and chemistry, manufacturing, and controls processes ("CMC") capabilities as well as proven and mature manufacturing and commercialisation systems. In achieving these goals, the Enlarged Group will implement the following business strategies: (i) actively advance the Enlarged Group's innovative drug development programs; (ii) strengthen innovative drug portfolio through global value-accretive partnerships; (iii) seek acquisition opportunities for high quality assets from MNCs; (iv) actively drive the commercialisation of innovative drug portfolio and capture market share; (v) continue to enhance product portfolio in key therapeutic areas; and (vi) further strengthen manufacturing and process control capabilities, and global supply chain infrastructure. For details of the Target Group's business strategies, please see "Business of the Target Group – Business Strategies of the Enlarged Group" in this circular.

PRODUCT PORTFOLIO OF THE TARGET GROUP

The Target Group has established a high-quality product portfolio comprising five key products, including three originator-branded products, namely, Vancocin, Ceclor and FPN, and two innovative products, Vascepa and Mulpleta, all of which are commercialized. Each of them addresses medical needs in a large or fast-growing therapeutic area, including anti-infectives, CVD and respiratory system diseases. The Target Group is the marketing authorisation holder ("MAH") in China for all of its key products. During the Track Record Period, a substantial majority of the Target Group's revenue was generated from its sales of the originator-branded products. The following table summarises the Target Group's key product portfolio and the status of each asset as at the Latest Practicable Date:

SUMMARY

Key Products

Therapeutic Area	Product/ Product Candidate	Indication	Mechanism of action	Classification	Source**	Acquire/ Licensed from	Clinical Trial by the Target Group	Product Right	IND	Phase I/II	Phase III	NDA	Approval/ Commercialisation
Originator-branded Products*													
Anti-infectives	Vancocin	MRSA and other infection	Glycopeptides	Originator branded drug	Acquired drug	Eli Lilly	N/A	China, Italy					
	Ceclor	Gram +/- bacterial infections ¹	Cephalosporin	Originator branded drug	Acquired drug	Eli Lilly	N/A	China					
Respiratory System	FPN	Asthma	ICS	Originator branded drug	Acquired drug	GSK	N/A	China, Netherlands					
Innovative Products*													
CVD	Vascepa	Persistent CV risk ^{2,3}	EPA	Innovative drug	In-licensed drug	Amarin	N/A Phase I and Phase III clinical trial	Greater China					
		Severe HTG ²											
Hematology	Mulpleta	CLD-associated TCP ⁴	TPO-RA	Innovative drug	Acquired drug	Shionogi	PK bridging trial and Phase III clinical trial	China, Hong Kong, Macau, U.S.					

* Originator-branded products are originator-branded mature drugs and innovative drugs are newly developed drugs.

** Acquired drugs are drugs for which full ownership has been obtained through an acquisition deal. The Target Group assumes all rights, responsibilities, and revenues associated with the drug. In-licensed drugs are drugs for which specific commercialization rights are obtained through a licensing agreement with the original owner. The licensor retains ownership of the drug, while the Target Group typically pays royalties or milestone payments based on the drug's performance.

Other Products

Therapeutic Area	Product/ Product Candidate	Indication	Mechanism of action	Classification	Source	Acquire/ Licensed from	Clinical Trial by the Target Group	Product Right	IND	Phase I/II	Phase III	NDA	Approval/ Commercialisation
Oncology	Jing Zhu Da	HR+/HER2- breast cancer	HDAC inhibitor	Innovative drug	Marketing and/or distribution rights	Taizhou EOC	N/A	Chinese mainland					
Others	Recormon	CRA	rhEPOβ	Originator branded drug	Exclusive marketing and distribution rights	Roche	N/A	Chinese mainland					
Chronic disease	Three siRNA candidates	Chronic disease ⁵	Undisclosed	Innovative drug	In-licensed drug	Nanopeptide (Qingdao) Biotechnology Ltd.	N/A	Greater China and Southeast Asia	Pre-IND/IND				

 Target Group's trial or right  Ex-China Development and Commercialisation Status by Licensor or Seller

 Not mandatory to conduct clinical trials

Notes:

- The Target Group's major cefaclor sub-product, Ceclor Sachet, is a market leading anti-bacterial drug for pediatric use.
- Persistent CRR and severe HTG reduction are FDA-approved indications. Vascepa received NDA approval from the NMPA for the treatment of severe HTG in May 2023. The Target Group commenced sales of this product for the treatment of severe HTG in China in September 2023. Vascepa later received NDA approval from the NMPA for the treatment of CRR in June 2024.

SUMMARY

3. In February 2022, the competent Hong Kong authority approved the Target Group's NDA for the treatment of CRR as an adjunct to maximally tolerated statin therapy to reduce the risk of myocardial infarction, stroke, coronary revascularization, and unstable angina requiring hospitalization in adult patients with elevated TG levels (>150 mg/dL) and established CVD or diabetes mellitus and two or more additional risk factors for CVD.
4. CLD-associated TCP is the indication approved in Japan, the U.S. and the EU. The Target Group received NDA approval for Mulpleta for the treatment of TCP in patients with CLD in June 2023 and commenced sales of this product in November 2023.
5. The Target Group is not the MAH for Recormon and enters into exclusive marketing and distribution agreement for this product. For details, see "Business of the Target Group – Acquisition and In-Licensing Arrangements – Other Arrangements."
6. The Target Group has three pre-clinical siRNA candidates. One of the candidates submitted its IND application in March 2025 and received its IND approval in June 2025, for which the Target Group has completed patient enrollment in the second half of 2025. The other two candidates are nearing PCC confirmation and are expected to enter into IND-enabling stage in 2025.

CUSTOMERS AND SUPPLIERS OF THE TARGET GROUP

The Target Group's five largest customers during the Track Record Period primarily comprise the Target Group's importers and regional distributors. The Target Group's sales to the five largest customers in each reported year/period during the Track Record Period amounted to RMB1,360.0 million, RMB1,515.4 million, RMB1,891.3 million and RMB873.5 million, accounting for approximately 65.6%, 65.8%, 74.3% and 76.9% of the Target Group's total revenue for the respective periods in 2022, 2023 and 2024, and the six months ended 30 June 2025. The Target Group's sales to largest customer in each reported year/period during the Track Record Period amounted to RMB1,197.3 million, RMB1,306.9 million, RMB1,393.2 million and RMB704.3 million, accounting for approximately 57.7%, 56.7%, 54.7% and 62.0% of the Target Group's total revenue for the respective periods in 2022, 2023 and 2024, and the six months ended 30 June 2025.

During the Track Record Period, the Target Group's suppliers primarily consisted of (i) MNCs, who granted the Target Group exclusive marketing and distribution rights in China, (ii) CMOs, who provide third-party contracting services for manufacturing the Target Group's products, (iii) licensors from which the Target Group obtained intellectual property rights in respect of the Target Group's in-licensed drug candidates, and (iv) CROs, who provide third-party contracting services for research and development. The Target Group's purchases from its five largest suppliers in each reported year/period during the Track Record Period amounted to RMB441.6 million, RMB384.0 million, RMB534.7 million and RMB167.0 million, accounting for approximately 72.4%, 60.8%, 65.1% and 57.6% of the Target Group's total purchases for the respective periods in 2022, 2023 and 2024, and the six months ended 30 June 2025. The Target Group's purchases from its largest supplier in each reported year/period during the Track Record Period amounted to RMB152.9 million, RMB111.1 million, RMB139.6 million and RMB66.8 million, accounting for approximately 25.1%, 17.6%, 17.0% and 23.1% of the Target Group's total purchases for the respective periods in 2022, 2023 and 2024, and the six months ended 30 June 2025.

SUMMARY

As at the Latest Practicable Date, none of the Target Directors, their associates or any shareholders which, to the knowledge of the Target Directors, owned more than 5% of the issued share capital of the Target Company as at the Latest Practicable Date, had any interest in any of the Target Group's five largest customers and suppliers during the Track Record Period. All the Target Group's five largest customers and suppliers during the Track Record Period were independent third parties.

For details of the Target Group's customers and suppliers, please see "Business of the Target Group – Customers" and "Business of Target Group – Suppliers" in this circular.

SUMMARY OF FINANCIAL INFORMATION OF THE TARGET GROUP

The summary of the key financial information set forth below have been derived from and should be read in conjunction with the Target Group's historical financial information, including the accompanying notes, set forth in the Accountant's Report of the Target Group in Appendix I to this circular, as well as the information set forth in the section headed "Financial Information of the Target Group."

Highlights of Consolidated Statements of Profit or Loss

The following table sets forth selected data in the Target Group's consolidated statements of comprehensive profit for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>			<i>(Unaudited)</i>	
Revenue	2,073,754	2,303,788	2,546,044	1,373,322	1,135,542
Cost of sales	(705,320)	(798,095)	(829,759)	(449,195)	(375,925)
Gross profit	1,368,434	1,505,693	1,716,285	924,127	759,617
Profit for the year/period	306,345	308,019	387,886	272,013	114,566

SUMMARY

Revenue

The Target Group's revenue was RMB2,073.8 million, RMB2,303.8 million, and RMB2,546.0 million, RMB1,373.3 million and RMB1,135.5 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. The steady sales growth during 2022 to 2024 is primarily attributable to strong performance and potential of its product portfolio. The Target Group's revenue decreased from the six months ended 30 June 2024 to the same period of 2025, primarily because (i) a decrease in revenue from FPN as FPN became domestically manufactured in 2024 and the Target Group has been undergoing an update of market access of domestically manufactured FPN in China, and (ii) a decrease in revenue from Mulpleta primarily due to the temporary impact of negative marketing activities by competing products in China. During the Track Record Period, the Target Group has generated only minimal revenue from the United States.

Revenue by Business

During the Track Record Period, the Target Group primarily generated revenue from sales of pharmaceutical products. For a description of its products, see "Business of the Target Group – Product Portfolio of the Target Group". The following table sets forth a breakdown of the Target Group's revenue by business for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Sale of pharmaceutical products	2,073,754	100.0%	2,303,788	100.0%	2,544,098	99.9%	1,371,376	99.9%	1,112,948	98.0%
Service income	–	–	–	–	1,946	0.1%	1,946	0.1%	22,594	2.0%
Total	2,073,754	100.0%	2,303,788	100.0%	2,546,044	100.0%	1,373,322	100.0%	1,135,542	100.0%

Revenue by Product Type

The Target Group presents revenue by product in this circular on a gross basis, which is calculated based on revenue before deduction of sales rebates and sales tax. Sales rebates and sales tax are not allocated to each product, and therefore the breakdown of revenue by product does not take into account such items. The Target Group believes that a discussion and analysis of the Target Group's financial performance by product on a gross basis is meaningful in

SUMMARY

assessing the Target Group's business. The following table sets forth the breakdown of the Target Group's gross revenue by products for the periods indicated, and a reconciliation of gross revenue to net revenue:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Originator-branded products										
Vancocin	1,007,081	48.6%	1,068,828	46.4%	1,262,893	49.6%	711,588	51.8%	716,719	63.1%
Ceclor	759,313	36.6%	835,711	36.3%	914,714	35.9%	358,283	26.1%	264,347	23.3%
FPN	195,336	9.4%	287,365	12.5%	215,466	8.5%	198,459	14.5%	46,837	4.1%
Subtotal of originator-branded products	1,961,730	94.6%	2,191,904	95.1%	2,393,073	94.0%	1,268,330	92.4%	1,027,903	90.5%
Innovative products										
Vascepa	16,599	0.8%	61,377	2.7%	77,495	3.0%	50,165	3.7%	72,259	6.4%
Mulpleta	–	–	10,764	0.5%	237,320	9.3%	130,983	9.5%	3,797	0.3%
Subtotal of innovative products	16,599	0.8%	72,141	3.2%	314,815	12.4%	181,148	13.2%	76,056	6.7%
Other products ⁽¹⁾	68,118	3.3%	67,318	2.9%	75,306	3.0%	32,990	2.4%	38,939	3.4%
Discontinued products ⁽²⁾	140,676	6.8%	151,174	6.6%	29,843	1.2%	29,844	2.2%	–	–
Service income ⁽³⁾	–	–	–	–	1,946	0.1%	1,946	0.1%	22,594	2.0%
Gross revenue	2,187,123	105.5%	2,482,537	107.8%	2,814,983	110.6%	1,514,258	110.3%	1,165,492	102.6%
Less:										
Sales rebates	(104,791)	(5.1)%	(168,744)	(7.3)%	(256,575)	(10.1)%	(136,859)	(10.0)%	(26,262)	(2.3)%
Sales tax	(8,578)	(0.4)%	(10,005)	(0.5)%	(12,364)	(0.5)%	(4,077)	(0.3)%	(3,688)	(0.3)%
Revenue	2,073,754	100.0%	2,303,788	100.0%	2,546,044	100.0%	1,373,322	100.0%	1,135,542	100.0%

(1) Represent Recormon.

(2) Represents products that the Target Group had discontinued as at 31 December 2024, including Zinacef, Fortum and Aminoplasmal Hepa.

(3) Represents (a) revenue from promotion activities for Jing Zhu Da since the first half of 2024. For details, see “Business of the Target Group – Acquisition and In-Licensing Arrangements – In-licensing Arrangements – Jing Zhu Da” and “Financial Information of the Target Group – Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Revenue”, and (b) revenue from business support services for GB491 and GB268 since the first half of 2025. For details, see “Business of the Target Group – Robust in-house discovered pipeline of assets with broad potential in oncology and autoimmune diseases”.

SUMMARY

During the Track Record Period, the Target Group primarily generated revenue from its originator-branded products. Gross revenue from these products in aggregate amounted to RMB1,961.7 million, RMB2,191.9 million, RMB2,393.1 million, RMB1,268.3 million and RMB1,027.9 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for 89.7%, 88.3%, 85.0%, 83.8% and 88.2% of the Target Group's total gross revenue for the same respective periods.

The following table sets forth the average selling prices (“ASP”) or price ranges (as the case may be) and sales volume of each of the Target Group's originator-branded products during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	ASP/Price		ASP/Price		ASP/Price		ASP/Price		ASP/Price	
	range (in		range (in		range (in		range (in		range (in	
	RMB) ⁽¹⁾	Volume ⁽²⁾	RMB) ⁽¹⁾	Volume ⁽²⁾	RMB) ⁽¹⁾	Volume ⁽²⁾	RMB) ⁽¹⁾	Volume ⁽²⁾	RMB) ⁽¹⁾	Volume ⁽²⁾
Vancocin	85	11,903	84	12,705	84	15,014	84	8,466	83	8,646
Ceclor										
<i>Ceclor Sachet⁽³⁾</i>	17~26	29,331	18~26	30,119	18~26	30,079	18~26	9,970	18~26	3,622
<i>Ceclor Capsules⁽³⁾</i>	24~47	1,264	26~50	1,683	26~50	2,180	26~50	1,125	26~50	1,263
<i>Ceclor Sustained</i>										
<i>Release Tablets⁽³⁾</i>	27~54	5,998	28~54	6,128	28~54	8,001	28~54	3,866	28~54	4,423
Total ⁽³⁾	17~54	36,593	18~54	37,930	18~54	40,261	18~54	14,961	18~54	9,309
FPN	9	21,914	9	30,595	9	24,371	9	21,050	8	5,618

- (1) The ASP or price range (as the case may be) set out above is calculated based on gross revenue before deduction of sales rebates and sales tax.
- (2) Sales volume refers to doses in thousands.
- (3) Reflects the price ranges and total sales volume of different specifications of Ceclor Sachet, Ceclor Capsules or Ceclor Sustained Release Tablets.

The Target Group's sales volume of Vancocin increased from 11.9 million doses in 2022 to 12.7 million doses in 2023, primarily as a result of a gradual recovery from the impact of COVID-19 pandemic. Vancocin is primarily used in the hospitals' ICU, hematology, neurosurgery, orthopedics, cardiothoracic surgery, respiratory and infectious disease departments. During the COVID-19 pandemic, because hospital operations, especially these departments, were limited by the global pandemic of COVID-19, sales volume of Vancocin was affected in 2022. The supply for Vancocin was also limited by the production capacity of overseas CMOs to a lesser extent. Some packaging materials that the Target Group sourced from overseas CMOs were also utilized in the manufacturing of COVID-19 vaccines. As a result, the increased demand for such packaging materials, driven by the high volume production of COVID-19 vaccines in 2021 and 2022, led to a longer lead time for their supply to the Target Group. Market demand for Vancocin in China remained strong but the sales volume of Vancocin remained relatively stable, primarily because hospital operations were

SUMMARY

limited by the global pandemic of COVID-19. The supply for Vancocin was also limited by the production capacity of overseas CMOs to a lesser extent. For example, the vials used in the production of Vancocin are also utilised in the manufacturing of COVID-19 vaccines. As a result, the increased demand for such packaging materials, driven by the high-volume production of COVID-19 vaccines, has led to a longer lead time for their supply to the Target Group in 2022 and 2023. However, the Target Group did not experience material difficulty in securing the requisite supply of Vancocin from overseas CMOs during the Track Record Period, as it has implemented measures to ensure an adequate and timely supply from overseas CMOs. The Target Group's sales volume of Vancocin further increased to 15.0 million doses in 2024, in line with strong market demand and the Target Group's ability to meet such demand. Moreover, the Target Group has initiated the localisation of manufacturing for Vancocin in the second half of 2024, which will bring more control over drug supply. It is expected that the localisation of manufacturing for Vancocin will be completed by the end of 2026. In addition, the Target Group's sales volume of Vancocin remained relatively stable at 8.5 million doses in the six months ended 30 June 2024 and 8.6 million doses in the six months ended 30 June 2025. The ASP of Vancocin remained stable during the Track Record Period.

The Target Group's sales volume of Ceclor continuously increased from 36.6 million doses in 2022 to 40.3 million doses in 2024, primarily because the Target Group has strategically focused on expanding out-of-hospital retail sales channels of Ceclor. The Target Group's sales volume of Ceclor decreased from 15.0 million doses in the six months ended 30 June 2024 to 9.3 million doses in the six months ended 30 June 2025, primarily because Ceclor retail market was impacted by the slow down of the anti-bacterial drug market in China in the first half of 2025 caused by factors such as the inclusion of more anti-bacterial drugs in centralised procurement, which reduced their price and compressed the market, and the normalisation of anti-bacterial drug usage after the COVID-19 pandemic, which had previously been at a high level. Ceclor is an earlier-generation cephalosporin antibiotic that has faced intensified competition from numerous generic alternatives under centralized procurement, resulting in sales pressure. During the pandemic, antibiotics were used to be frequently prescribed to COVID-19 patients to preemptively treat potential secondary bacterial infections, especially when diagnostic testing was limited. Moreover, the Target Group has adjusted its retail sales strategies, under which it prioritized collaboration with national and regional chain pharmacy customers and reduced business with smaller wholesalers, resulting in a decline greater than the industry trend. However, with the gradual increase in innovative anti-bacterial drugs and the slow rise in the prevalence of related indications, the Target Group's retail business is expected to grow in the second half of the year, in line with its strategic plan. The ASP of Ceclor remained stable during the Track Record Period.

The Target Group's sales volume of FPN increased from 21.9 million doses in 2022 to 30.6 million doses in 2023. The increase was primarily due to higher market penetration as a result of the successful marketing and promotion and expansion of the Target Group's sales team after it became the MAH for FPN in China in May 2020. In particular, the Target Group successfully introduced FPN to more hospitals and pharmacies in different provinces and cities, and sales volume of FPN increased accordingly. The Target Group's sales volume of FPN decreased to 24.4 million doses in 2024, and decreased from 21.1 million doses in the six

SUMMARY

months ended 30 June 2024 to 5.6 million doses in the six months ended 30 June 2025, primarily because FPN became domestically manufactured in 2024 and the Target Group has been undergoing an update of market access of domestically manufactured FPN in China. During this period, the Target Group is required to update the tendering process and implement the new distribution arrangements where applicable. The Target Group expects to gradually recover from the update of market access in 2026. While the pricing policy as set by authorities in different provinces in China varies, the cost of manufacturing FPN is expected to decrease upon domestic manufacturing. In January 2024, the Target Group obtained manufacturing approval for FPN at its nebulizer manufacturing facility in Suzhou, through which the Target Group lowered cost of manufacturing FPN by nearly 40%. The ASP of FPN remained stable during the Track Record Period.

Revenue by Sale Channel

The drugs the Target Group distributes consist of domestically manufactured drugs, including Ceclor, FPN (since February 2024, with a transition period during which imported FPN is also available) and Jing Zhu Da, and imported drugs which are manufactured overseas, including Vancocin, FPN (before February 2024, and throughout a subsequent transition period), Vascepa, Mulpleta and Recormon. The Target Group distributes Ceclor, FPN (since February 2024, with a transition period during which imported FPN is also available), Jing Zhu Da and Recormon directly to regional distributors. Additionally, the Target Group has an importer for each of Vancocin, FPN (before February 2024, and throughout a subsequent transition period), Vascepa and Mulpleta, who resells the products to regional distributors, because these drugs are sold broadly across China geographically and the Target Group's distribution network of regional distributors for imported drugs is not able to fully cover the relevant sales areas. For details, see "Business of the Target Group – Sales and Marketing – Sales and Distributorship".

The following table sets forth the Target Group's revenue from sale of pharmaceutical products attributable to importers and distributors for the period indicated.

	Year ended 31 December						Six months ended	
	2022		2023		2024		30 June	
							2025	
<i>RMB'000 (except percentages)</i>								
Importers	1,197,328	57.7%	1,314,006	57.0%	1,637,037	64.3%	761,298	68.4%
Distributors	876,426	42.3%	989,782	43.0%	907,061	35.6%	351,650	31.6%
Sale of pharmaceutical products	2,073,754	100.0%	2,303,788	100.0%	2,544,098	100.0%	1,112,948	100.0%

SUMMARY

Gross Profit and Gross Profit Margin

From 2022 to 2024, the Target Group steadily increased overall gross profits through strong sales volume increases across its commercialized products, while maintaining relatively consistent selling prices. The Target Group's gross profit increased from RMB1,368.4 million in 2022 to RMB1,716.3 million in 2024. During the Track Record Period, its overall gross profit margin was consistently strong with increases from 66.0% in 2022 to 67.4% in 2024. The strong gross margins were largely attributable to, on the one hand, strong sales of major products, and on the other hand, continued operational optimisations, both of which became more pronounced as the Target Group gained control as MAH of these products. For example, the Target Group implements effective sales and marketing efforts and optimised its manufacturing and supply chain management since becoming MAH for certain products. As a result, the Target Group increased market penetration and grew its sales, and decreased costs of inventory, which led to higher gross profit margins.

The Target Group's gross profit decreased from RMB924.1 million in the six months ended 30 June 2024 to RMB759.6 million in the six months ended 30 June 2025 in line with its revenue trends. Its overall gross profit margin remained consistently strong with slightly decrease from 67.3% in the six months ended 30 June 2024 to 66.9% in the six months ended 30 June 2025.

Gross Profit and Gross Profit Margin by Product Type

Similar to revenue by product, the Target Group presents gross profit and gross profit margin by product type in this circular on a gross basis, which are calculated based on revenue before deduction of sales rebates and sales tax. Sales rebates and sales tax are not allocated to each product, and therefore the breakdown of gross profit and calculation of gross profit margin by product type does not take into account such items. The Target Group believes that a discussion and analysis of its financial performance by product type on a gross basis is meaningful in assessing its business. The following table sets forth the Target Group's gross profit and gross profit margin by products type for the periods indicated, and a reconciliation of gross profit and gross profit margin from a gross basis to a net basis:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
<i>RMB'000 (except percentages)</i>										
<i>(Unaudited)</i>										
Originator-branded products	1,333,963	68.0%	1,508,831	68.8%	1,693,974	70.8%	891,014	70.3%	711,432	69.2%
Innovative products	14,991	90.3%	59,623	82.6%	229,541	72.9%	134,880	74.5%	57,048	75.0%
Other products and services	47,991	70.5%	47,432	70.5%	47,459	61.4%	24,918	71.3%	21,087	34.3%

SUMMARY

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin
	RMB'000 (except percentages)						(Unaudited)			
Discontinued products										
Zinacef	81,427	62.2%	68,557	45.3%	14,250	47.7%	14,251	47.8%	–	–
Fortum	2,368	34.0%	–	–	–	–	–	–	–	–
Hepa	1,064	36.7%	–	–	–	–	–	–	–	–
Subtotal of discontinued products	84,859	60.3%	68,557	45.3%	14,250	47.7%	14,251	47.8%	–	–
Less:										
Sales rebates	(104,791)	N/A	(168,744)	N/A	(256,575)	N/A	(136,859)	N/A	(26,262)	N/A
Sales tax	(8,578)	N/A	(10,005)	N/A	(12,364)	N/A	(4,077)	N/A	(3,688)	N/A
Total gross profit/Overall gross profit margin	<u>1,368,434</u>	66.0%	<u>1,505,693</u>	65.4%	<u>1,716,285</u>	67.4%	<u>924,127</u>	67.3%	<u>759,617</u>	66.9%

During the Track Record Period, the fluctuations of the Target Group's gross profit and gross profit margin were primarily affected by the changes in gross profit and gross profit margin of its originator-branded products as discussed below. In 2024, the Target Group's gross profit margin increased also due to an overall improvement in gross margin due to product mix, particularly the inclusion of Mulpleta which had a higher-than average gross margin primarily because the Target Group obtained more favorable pricing terms with the collaborative CMO for the production of Mulpleta which reduced the associated costs.

From 2022 to 2024, the Target Group's gross profit margin for originator-branded products generally increased. This increase was primarily driven by strong sales of these products and continued operational optimisations. The effects of these initiatives became more pronounced as the Target Group gained control as the Marketing Authorization Holder (MAH) for these products. For example, the Target Group implemented effective sales and marketing efforts and optimised its manufacturing and supply chain management after becoming the MAH for certain products, such as FPN. However, for the six months ended 30 June 2025, the gross profit margin for originator-branded products decreased slightly to 66.9% from 67.3% in the same period of 2024. This decrease was primarily due to a lower gross profit margin for Ceclor as a result of reduced sales volumes, which raised its per-unit fixed manufacturing costs. This was partially offset by an increase in the gross profit margin of Vancocin, which was mainly attributable to lower international logistics costs as the Target Group obtained more favorable pricing terms following the renewal of agreements with its international logistics service providers.

SUMMARY

From 2022 to 2024, the gross profit margin for innovative products decreased, mainly due to Vascepa's transition from higher-priced pilot program sales in Hainan Boao Pilot Zone to lower hospital tender prices for a wider range of sales following its commercial launch in late 2023. Despite this decrease, the gross profit margin for innovative products has remained at a high level and was relatively stable during the six months ended 30 June 2024 and 2025.

The fluctuation in the gross profit margin for other products and services was largely influenced by Jing Zhu Da. The Target Group commenced promotional activities for Jing Zhu Da in the first half of 2024. During this initial launch stage, the product's gross profit margin fluctuated significantly, a result attributed to the low sales volumes and preliminary market education costs typical of a new product introduction.

Profit for the Year/Period

The Target Group recorded net profit of RMB306.3 million, RMB308.0 million and RMB387.9 million, RMB272.0 million and RMB114.6 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, primarily attributable to its increasing revenue during the Track Record Period mainly generated from sales of its key commercialized products, and to a lesser extent, other commercialized products in its portfolio, which may change from time to time. In addition, the Target Group recorded compensation gain under its other income and gains of RMB84.7 million in 2024, representing the gain arising from the amounts received by the Target Group by collaboration partners of their discontinued products pursuant to the agreement and mutual negotiation.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of the Target Group's consolidated statements of financial position as of the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Total non-current assets	3,581,791	3,734,597	3,740,011	3,668,037
Total current assets	1,479,689	1,410,511	1,700,020	2,101,384
Total current liabilities	2,410,044	3,113,245	2,951,791	2,591,257
Net current liabilities	930,355	1,702,734	1,251,771	489,873
Total assets less current liabilities	2,651,436	2,031,863	2,488,240	3,178,164
Total non-current liabilities	738,929	66,988	78,678	623,230
Net assets	1,912,507	1,964,875	2,409,562	2,554,934

SUMMARY

The Target Group's net current liabilities increased from RMB930.4 million as at 31 December 2022 to RMB1,702.7 million as at 31 December 2023 primarily due to an RMB735.3 million increase in the current portion of interest-bearing bank and other borrowings primarily as its US\$105 million of mezzanine loan obtained in October 2022 and its US\$110 million plus HK\$120 million of senior term loan obtained in February 2023 became current liabilities as at 31 December 2023. Certain of these loans were repaid or extended in the second half of 2024. See "Financial Information of the Target Group – Indebtedness" for details.

The Target Group's net current liabilities decreased from RMB1,702.7 million as at 31 December 2023 to RMB1,251.8 million as at 31 December 2024, primarily due to (i) a RMB389.8 million decrease in the current portion of interest-bearing bank and other borrowings due to repayment of certain bank loans, and (ii) a RMB246.6 million increase in inventories due to the increase in finished goods as the Target Group scaled up its production and prepared for the 2025 sales by proactively stocking up towards the end of 2024, partially offset by a RMB144.4 million increase in trade payables which was in line with the increase in sales and procurement.

The Target Group's net current liabilities then decreased from RMB1,251.8 million as at 31 December 2024 to RMB489.9 million as at 30 June 2025 primarily due to a RMB666.8 million increase in cash and cash equivalents because the Target Group draw down new bank loans and accelerated the settlement of trade and bills receivables.

The Target Group's net assets increased during the Track Record Period. The Target Group's net assets increased from RMB1,912.5 million as of 31 December 2022 to RMB1,964.9 million as of 31 December 2023 primarily as a result of (i) profit for the year of RMB308.0 million, (ii) equity-settled share-based payment arrangements of RMB33.6 million, and (iii) exchange differences related to foreign operations and translation from functional currency to presentation currency of RMB14.4 million, partially offset by (i) repurchase of shares of RMB235.9 million, and (ii) dividend declared of RMB67.7 million.

The Target Group's net assets further increased from RMB1,964.9 million as of 31 December 2023 to RMB2,409.6 million as of 31 December 2024 primarily as a result of (i) profit for the year of RMB387.9 million, (ii) equity-settled share-based payment arrangements of RMB33.3 million, and (iii) exchange differences related to foreign operations and translation from functional currency to presentation currency of RMB23.5 million.

The Target Group's net assets then increased from RMB2,409.6 million as at 31 December 2024 to RMB2,554.9 million as at 30 June 2025 primarily due to (i) profit for the period of RMB114.6 million, and (ii) equity-settled share-based payment arrangements of RMB32.8 million.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth the components of the Target Group's consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
			<i>RMB'000</i>		
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	745,136	810,535	975,552	572,372	433,605
Changes in working capital	221,211	(6,748)	(8,716)	(209,415)	(101,454)
Cash generated from operations	966,347	803,787	966,836	362,957	332,151
Tax paid	(21,534)	(44,922)	(51,109)	(20,899)	(37,059)
Net cash flows from operating activities	944,813	758,865	915,727	342,058	295,092
Net cash flows (used in)/generated from investing activities	(269,560)	(370,675)	(592,737)	(76,675)	41,753
Net cash flows (used in)/generated from financing activities	(731,608)	(462,204)	(683,178)	(229,188)	331,353
Net (decrease)/increase in cash and cash equivalents	(56,355)	(74,014)	(360,188)	36,195	668,198
Cash and cash equivalents at beginning of year/period	577,076	537,635	467,127	467,127	111,703
Effect of foreign exchange rate changes, net	16,914	3,506	4,764	1,916	(1,439)
Cash and cash equivalents at end of year/period	537,635	467,127	111,703	505,238	778,462

SUMMARY

The Target Group's primary uses of cash during the Track Record Period were to fund its working capital, expand its product portfolio and repay bank loans. During the Track Record Period, the Target Group primarily funded its working capital requirement from its operating cash flow, bank loans and other borrowings.

Key Financial Ratios

The following table set forth the Target Group's key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2022	2023	2024	2025
Gross profit margin ⁽¹⁾	66.0%	65.4%	67.4%	66.9%
Net profit margin ⁽²⁾	14.8%	13.4%	15.2%	10.1%
Return on average equity ⁽³⁾	17.4%	15.9%	17.7%	9.3% ⁽⁸⁾
Return on average asset ⁽⁴⁾	6.1%	6.0%	7.3%	4.1% ⁽⁸⁾
Current ratio ⁽⁵⁾	0.61	0.45	0.58	0.81
Quick ratio ⁽⁶⁾	0.46	0.35	0.39	0.60
Debt-to-equity ratio ⁽⁷⁾	1.24	1.21	0.83	0.95

- (1) Equals gross profit for the period divided by revenue for the period and multiplied by 100%.
- (2) Equals profit for the period divided by revenue for the period and multiplied by 100%.
- (3) Equals profit for the period divided by average balance of total equity at the beginning and the end of that period and multiplied by 100%.
- (4) Equals profit for the period divided by average balance of total assets at the beginning and the end of that period and multiplied by 100%.
- (5) Current ratio represents total current assets divided by total current liabilities as at the same date.
- (6) Quick ratio represents total current assets less inventories and divided by total current liabilities as at the same date.
- (7) Debt-to-equity ratio is calculated by the total bank and other borrowings divided by the total equity as at the end of each period.
- (8) These ratios have been annualized by dividing profit for the period by 181 and multiplying by 365, then divided by average balance of total equity or total assets (as the case may be) at the beginning and the end of that period and multiplied by 100%.

SUMMARY

THE CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

Immediately upon the Merger Closing, based on the Presumed Maximum Share Exchange Ratio, assuming that there are no Taxable Target Shareholders, Mr. Ni, directly and indirectly through Talent Creation and Chinapharm Group, will be interested in 856,999,254 Shares, representing approximately 37.24% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares. As such, Mr. Ni, Talent Creation and Chinapharm Group will become the Controlling Shareholders of the Enlarged Group immediately following the Merger Closing.

Taizhou EOC is an integrated biotech company controlled as to 61.20% by EOC Pharma Limited which was in turn controlled as to approximately 62.34% by Mr. Ni and 1.73% by Eddingpharm International, a company controlled as to approximately 64.41% by Mr. Ni as of the Latest Practicable Date. Taizhou EOC mainly focuses on the discovery, research and development of innovative oncology products. The business of Taizhou EOC can be clearly delineated from the Enlarged Group's business in terms of business model, product portfolio, R&D focuses and platform, and financial performances. For details, see "Relationship with Controlling Shareholders of the Enlarged Group."

PRE-RTO INVESTMENTS

The Target Group has underwent several rounds of financings since its establishment. The Pre-RTO Investors of the Target include top-tier global and Chinese institutional investors and healthcare-focused investment funds. For details of the Pre-RTO Investments, please see "History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of The Target Group" and "History, Development and Corporate Structure of the Target Group – Pre-RTO Investments."

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

The Target has entered into, and the Enlarged Group will continue to engage in, certain transaction with Taizhou EOC, an associate of the Controlling Shareholders of the Enlarged Group, which will constitute a partially-exempt continuing connected transaction of our Company under the Listing Rules upon the Merger Closing. Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted our Company, waivers in relation to such continuing connected transaction between us and Taizhou EOC under Chapter 14A of the Listing Rules. For details, see "Continuing Connected Transaction of the Enlarged Group."

As of the Latest Practicable Date, an upfront payment of RMB40 million and a milestone payment of RMB20 million to Taizhou EOC regarding the NDA approval obtained for Jing Zhu Da had been paid by Eddingpharm Suzhou to Taizhou EOC. The Target Group did not recognise or incur any commission fees or royalty payments during the two years ended 31 December 2023. During the year ended 31 December 2024 and for the six months ended 30 June 2025, the Target Group recognised revenue of RMB1,946,000 and nil and incurred royalty fee expenses of RMB1,832,000 and nil, respectively under the Sublicense Agreement.

SUMMARY

THE ONE-OFF SHARE OPTION PLAN

At the Merger Effective Time, all outstanding share options under the Target Share Option Scheme will be automatically cancelled and lapse in accordance with the Merger Agreement. In order to provide a fair treatment to the Target Share Option Scheme Grantees and to continue to recognise their contribution to the Target Group or provide incentives for potential contribution to the Enlarged Group following the Merger Closing, the Company proposes to adopt the One-off Share Option Plan. The terms of the rules of the One-off Share Option Plan are substantially the same with the Target Share Option Scheme and do not contain all the provisions as required under Chapter 17 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver for the One-off Share Option Plan from strict compliance with Rules 17.02(1)(b), 17.03(4), 17.03(7), 17.03(9), 17.03(19), 17.03B, 17.03D, 17.03E, 17.04, 17.05, 17.06, 17.06A, 17.06B and 17.06C of, and paragraph 27 of Appendix D1A to, the Listing Rules. For details, see “Waivers from Strict Compliance with the Listing Rules – The One-off Share Option Plan” and “Statutory and General Information – 9. Share Schemes – 9.3 The One-off Share Option Plan” in Appendix VI.

Assuming that (a) the total number of issued Shares immediately upon Merger Closing is 2,301,428,536; (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (c) there is no Taxable Target Shareholder, the shareholding of our Shareholders upon completion of the Merger Closing will be diluted by approximately 4.59% if the Converted Options under the One-off Share Option Plan are fully exercised after the Merger Closing.

PRE-EXISTING COMPANY SHARE SCHEMES

As at the Latest Practicable Date, the Company had five share schemes, namely, the Pre-IPO Share Option Plan, the Post-IPO Share Option Plan, the 2023 Share Option Plan, the 2021 RSU Plan, the 2023 RSU Plan.

Assuming that (a) the total number of issued Shares immediately upon Merger Closing is 2,301,428,536 Shares, and (b) none of the Converted Options under the One-off Share Option Plan (if its adoption is approved by the Shareholders at the EGM) has been vested and exercised, if all share options and RSUs under the Pre-Existing Company Share Schemes outstanding as at the Latest Practicable Date have been fully vested and exercised, the shareholding of our Shareholders upon the completion of the Proposed Merger will be diluted by approximately 0.79% of the enlarged issued share capital.

DIVIDENDS

In August 2022, a dividend of US\$10 million was declared by the Target Group. In February 2023, another dividend of US\$10 million was declared by the Target Group. As at the Latest Practicable Date, US\$8.4 million of the first dividend had been paid and US\$4.6 million of the second dividend had been paid. The Target Group plans to fully settle the unpaid portion of such dividends before the Proposed Merger.

SUMMARY

As advised by the Target Group's Cayman Islands counsel, under the Companies Act and the Memorandum and Articles, the Target Group may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid out of share premium account if such payment would result in the Target being unable to pay its debts as they fall due in the ordinary course of business. The Target in general meeting may from time to time declare any dividends to be paid to Shareholders. Any declaration and payment as well as the amount of dividends will be subject to the Target Group's constitutional documents, the Companies Act and any contractual restrictions on the payment of dividends.

Future dividend payments will also depend upon the availability of dividends received from the Target Group Companies in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting standards, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards ("**HKFRS Accounting Standards**"). PRC laws also require PRC companies to set aside part of their net profit to make up for losses (if any) and as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Target Group Companies may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that the Target Group or the Target Group Company may enter into in the future. There can be no assurance that will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Other than as disclosed herein, the Target Group does not have any dividend policy or intention to declare or pay any dividends in the near future.

TRANSACTION EXPENSES

Transaction expenses represent listing fees, professional fees and other expenses incurred or to be incurred in connection with the reverse takeover. Transaction expenses in relation to the reverse takeover is estimated to be approximately HK\$102.3 million, of which HK\$46.6 million are expected to be reflected in the consolidated statements of profit or loss after the Track Record Period. The estimated transaction expenses are the latest best estimate and are for reference only.

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma net assets of the Enlarged Group as at 30 June 2025 would be approximately RMB3,454.6 million, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group as if the Proposed Merger were completed on 30 June 2025. The unaudited pro forma profit for the six months ended 30 June 2025 of the Enlarged Group would be approximately RMB15.3 million, which is extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as if the Proposed Merger were completed on 1 January 2025. For details in relation to the pro forma financial information of the Enlarged Group, please refer to Appendix III "Pro Forma Financial Information of the Enlarged Group" of this circular.

SUMMARY

SUMMARY OF MATERIAL RISK FACTORS

The Proposed Merger involves various risks, many of which are beyond the control of the Company, the Target Group and the Enlarged Group. Such risks may be categorized into: (i) risks relating to the Target Group's business and industry; (ii) risks relating to the Proposed Merger; and (iii) risks relating to this circular.

These risk factors are further described in the section headed "Risk Factors" in this circular. Set forth below are some of the major risks that may materially and adversely affect the Target Group: (i) the Target Group is largely dependent on sales of certain commercialized products. If the Target Group is unable to maintain the sales volume, pricing levels and profit margins for these commercialized products, its business could be adversely affected; (ii) the Target Group's commercialized products or pipeline products, once approved, may be subject to price adjustments, competition or the tender process, and therefore their prices may decrease, which could materially and adversely affect its financial condition and results of operations; (iii) failure to attain, maintain or expand market acceptance for the Target Group's products in China's medical community would have an adverse impact on its operations, financial condition and future prospects; (iv) the Target Group is exposed to concentration risk of reliance on its major distributors, who are its customers; (v) the pharmaceutical industry is one of the highly regulated industries. Compliance with relevant laws, rules, government regulations or industry practices, may result in additional costs; (vi) the Target Group's rights to develop and commercialise its in-licensed pipeline products are subject, in part, to the terms and conditions of licenses granted to it by its licensors and (vii) if the Target Group determines its goodwill and other intangible assets to be impaired, its results of operations and financial condition may be adversely affected.

RECENT DEVELOPMENT NO MATERIAL ADVERSE CHANGE

The Target Group's business and prospects are affected by global geopolitical, economic, trade and regulatory changes. For example, 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. Prior to April 2025, finished pharmaceutical products imported from the U.S. were not subject to tariffs in China. Beginning on 4 April 2025, China began imposing additional tariffs in phases, with rates reaching a peak of 125%. Subsequently, on 13 May 2025, the tariff rate was adjusted to 10%. From 4 April 2025 to 13 May 2025, when the above-mentioned tariffs changed significantly, the Target Group's purchases from the U.S. were nil. The Target Group only has minor revenue from the U.S., being nil, nil, RMB10.0 million, RMB5.6 million and RMB2.4 million for the years ended 31 December 2022, 2023, and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for nil, nil, 0.4%, 0.4% and 0.2% of its total revenue in the corresponding period, respectively. The Target Group procured APIs from Japan and export them to the U.S. These APIs were

SUMMARY

subsequently processed into finished goods and sold to customers in the the U.S., and the Target Group recognized revenue accordingly. During the Track Record Period, the U.S. tariffs on APIs imported from Japan were consistently 6.5%, without any additional tariffs being imposed. The Target Group has entered into licensing-in agreements with certain global pharmaceutical companies, which are currently not subject to direct restrictions under existing U.S. export controls as they do not typically involve the physical export of controlled technologies from the U.S. to the Target Group. As at the Latest Practicable Date, the Target Group did not experience significant regulatory changes or obsolescence regarding its clinical trials, NDA approvals, and cross-border clinical data transfer, nor did it have any ongoing R&D activities located in the U.S.. Considering the above-mentioned de minimis financial and operational exposure, the Target Directors are of the view that there was no material adverse effect on the Target Group's financial condition and results of operations from these tariff changes during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, the Group did not recognise any revenue from the U.S. for sale of products. The Group has entered into a licensing-in agreement in respect of GB491 with a global pharmaceutical company, which does not involve the physical export of controlled technologies from the U.S. to the Group, hence not subject to the aforesaid export control. During the Track Record Period and up to the Latest Practicable Date, the Company has not exported any finished pharmaceutical products to the U.S. from China, and none of the Company's finished pharmaceutical products have been subject to tariffs in the U.S. In view of the foregoing, the Group did not experience any material adverse impact of tariff or export controls in terms of its R&D development, clinical trials, business operation and financial performance of the Group, including its business cooperation with its U.S. business partners, during the Track Record Period.

The Target Group expects a decrease in its net profit in 2025, primarily due to one-off compensation gains of RMB84.7 million recorded in 2024 under other income and gains, which are not expected to recur in 2025, as well as an expected increase in R&D expenses. For details, see "Financial information of the Target Group – Other Income and Gains."

The Target Directors confirm that, up to the date of this circular, as far as they are aware, there has been no material adverse change in its financial, trading position or prospects since 30 June 2025, being the date of its latest audited consolidated financial statements as set out in "Appendix I – Accountants' Report of the Target Group" to this circular.

WHITEWASH WAIVER

As at the Latest Practicable Date, neither Mr. Ni nor parties acting in concert with him owned, controlled or directed any Shares. Based on the Presumed Maximum Share Exchange Ratio, and the assumptions set out in "Letter from the Board – Effect of the Proposed Merger on the Shareholding Structure of the Company", Mr. Ni and parties acting in concert with him will be interested in more than 30% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares upon the Merger Closing. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, upon the Merger Closing, Mr. Ni will be required to make

SUMMARY

a conditional mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Mr. Ni and parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. An application to the Executive for the Whitewash Waiver has been made by Mr. Ni pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

According to the Takeovers Code, the Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) respective resolutions relating to the Whitewash Waiver and the Proposed Merger being approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll; and (ii) Mr. Ni and parties acting in concert with him not having made any acquisitions or disposals of voting rights of the Company between the date of the Announcement and completion of the allotment and issue of the Consideration Shares unless with the prior consent of the Executive.

THE EGM

The recommendation of the Listing Rules IBC to the Independent Shareholders in relation to the Retention Plan of Mr. Weng is set out in the letter from the Listing Rules IBC on pages 111 to 112 of this circular. The recommendation of the Takeovers Code IBC to the Independent Shareholders in relation to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel is set out in the letter from the Takeovers Code IBC on pages 113 to 114 of this circular. The letter from the Independent Financial Adviser is set out on pages 115 to 151 of this circular. Please refer to the said letters for further information.

A notice of the EGM to be held on Monday, 22 December 2025 is set out on pages EGM-1 to EGM-5 of this circular for the purpose of considering and, if thought fit, approving the Proposed Merger, the Whitewash Waiver, the Specific Mandate, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company, the Retention Plan and the proposed adoption of the One-off Share Option Plan.

SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF THE SHAREHOLDER PERSONNEL

On 13 September 2024, the Company and the Target entered into conditional Retention Agreements in relation to the retention of the Shareholder Personnel of the Group upon the Merger Closing.

As the Retention Plan constitutes an arrangement between the Company and each of the Shareholder Personnel, each being a Shareholder, and such arrangement has favourable conditions which are not extended to all other Shareholders, the Retention Plan constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the implementation of the Retention Agreement and the Retention Plan will require consent of the Executive. The Company has made an application to the Executive for the consent to implement the Retention Agreement and the Retention Plan pursuant to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (a) the Independent Financial Adviser publicly stating

SUMMARY

that in its opinion the terms of the Retention Agreement and the Retention Plan are fair and reasonable; and (b) the Retention Agreement and the Retention Plan being approved by the Independent Shareholders at the EGM.

For further details of the Retention Agreement and the Retention Plan, please refer to the section headed “Special Deal in relation to the Retention Plan of the Shareholder Personnel” in the “Letter from the Board” of this circular.

DEFINITIONS

In this circular, unless the context otherwise requires, the capitalised terms used herein shall have the following meanings:

“2021 RSU Plan”	the RSU plan adopted by the Company on 3 June 2021 and terminated with effect from 27 October 2023, under which all unvested RSUs shall continue to be valid and shall vest in accordance with the plan rules and the relevant grant agreements
“2023 RSU Plan”	the RSU plan adopted by the Company on 27 October 2023
“2023 Share Option Plan”	the share option plan adopted by the Company on 27 October 2023
“2024 Annual Results Announcement”	the annual results announcement of the Company for the year ended 31 December 2024 dated 28 March 2025
“ABAX Share Repurchase”	the share repurchase of 16,250,075 Target Shares and 12,318,440 Target Shares by the Target settled in November 2021 and February 2023, respectively, details of which are set out in “History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group – ABAX Share Repurchase”
“Absent Representatives”	has the meaning given to it under the section headed “Letter from the Board – The Proposed Merger – Establishment of the Joint Steering Committee”
“ABT”	Ab Therapeutics, Inc., a company incorporated and subsisting under the laws of Delaware in the United States of America and a subsidiary of the Company
“ABT Subscription and Stock Purchase Agreement”	the subscription and stock purchase agreement dated 26 September 2019 by and among the Company, ABT, Ab Studio Inc. and Dr. Yue Liu (as may be amended and/or restated from time to time) with respect to which further 1,420,456 Shares are issuable by the Company
“Accountants’ Report of the Target Group”	the accountants’ report of the Target, the text of which is set out in Appendix I to this circular
“acting in concert”	has the meaning ascribed to it under the Takeovers Code

DEFINITIONS

“Adjourned Meeting Quorum”	has the meaning given to it under the section headed “Letter from the Board – The Proposed Merger – Establishment of the Joint Steering Committee”
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Amarin”	Amarin Corporation, a clinical stage biopharmaceutical company incorporated in the Ireland, which is an Independent Third Party, or any of its affiliates and joint ventures
“Amendment Agreement”	the amendment agreement to the Merger Agreement dated 24 January 2025 entered into among the Company, the Target and the Merger Sub in relation to the extension of the New Listing Application Deadline and the Long Stop Date
“Announcement”	the announcement of the Company dated 7 October 2024 in relation to, among other things, the Proposed Merger, the New Listing Application, the Whitewash Waiver, the Retention Plan of the Shareholder Personnel, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company and the proposed adoption of the One-off Share Option Plan
“Appraisal Right”	the right of the Dissenting Target Shareholders to, among other things, receive payment of the fair value of their Target Shares upon dissenting from the Proposed Merger in accordance with Section 238 of the Cayman Companies Act
“Articles of Association” or “Articles”	the eighth amended and restated articles of association of the Company adopted by special resolution passed on 27 June 2024, a summary of which is set out in “Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law” to this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bahrain”	the Kingdom of Bahrain

DEFINITIONS

“Benchmark Date”	has the meaning given to it in the section headed “Letter from the Board – The Proposed Merger – Share Exchange Ratio – Financial multiples of Close Comparables”
“Board” or “Board of Directors”	the board of directors of our Company
“Board Approval Matters of the Company”	the Merger Agreement, the Plan of Merger, the Proposed Merger, the Specific Mandate, the proposed increase in authorised share capital of the Company, the Proposed Change of Company Name, the proposed adoption of the One-off Share Option Plan, the establishment of the Joint Steering Committee, the CDK4/6i Outsourcing Management Agreement, the Retention Plan of the Shareholder Personnel, the establishment of the Listing Rules IBC and the Takeovers Code IBC, the appointment of the Independent Financial Adviser upon approval of the Takeovers Code IBC, the appointment of the Joint Sponsors in respect of the New Listing Application, and any other transactions contemplated under the Merger Agreement and other transaction documents
“British Pound” or “£”	the official currency of the U.K
“Business Day”	in relation to the Takeovers Code, any day on which the Stock Exchange is open for the transaction of business; in relation to the Listing Rules and the One-off Share Option Plan, any day on which the Stock Exchange is open for the business of dealing in securities; and in relation to the Proposed Merger, any day (other than (a) Saturday and Sunday and a public holiday in Hong Kong, the Cayman Islands or the PRC or (b) a day on which a tropical cyclone warning signal no. 8 or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong, the Cayman Islands or the PRC are generally open to the public for normal banking business and on which the Stock Exchange is open for the business of dealing in securities
“BVI”	the British Virgin Islands
“Cayman Islands”	the Cayman Islands
“Cayman Registrar”	the Registrar of Companies of the Cayman Islands

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and carried on by HKSCC
“CDE”	Centre for Drug Evaluation (國家藥品監督管理局藥品審評中心), a department of the NMPA responsible for the evaluation and registration of pharmaceutical drugs for their safety, efficacy, and quality before they can be marketed in China
“CDK4/6i Outsourcing Management Agreement”	the outsourcing management agreement (《外包管理協議》) dated 13 September 2024 entered into between the Company and the Target in relation to CDK4/6i, as amended and supplemented from time to time
“Chairman”	the chairman of the Board
“China”, “PRC” or “State”	People’s Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires otherwise, references in this circular to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan region
“Chinapharm Group”	Chinapharm Group Company Limited, a company incorporated in the BVI with limited liability on 18 July 2005 and one of the Controlling Shareholders of the Enlarged Group
“Chinapharm Holding”	Chinapharm (Holding) Limited, a company incorporated in the BVI with limited liability on 18 July 2005 and wholly owned by Mr. Ni
“Companies Act” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, 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
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company Equity Value”	US\$197,330,401.57
“Company Fully-Diluted Shares”	without duplication, the aggregate number of Shares (a) that are issued and outstanding immediately prior to the Merger Effective Time, (b) that are issuable upon vesting and/or exercise (as applicable) of all share options, RSUs, warrants, convertible notes and other equity securities of the Company linked to the Shares, each of which remaining issued and outstanding immediately prior to the Merger Effective Time, and (c) to extent not covered under (a) and (b), that are issuable pursuant to the ABT Subscription and Stock Purchase Agreement
“Company New Grant”	has the meaning given to it in the section headed “The Proposed Merger – Pre-Merger Closing Undertakings” in the “Letter from the Board” of this circular
“Company Transaction Fees”	any and all out-of-pocket and reasonable fees and expenses payable by the Company or any of its subsidiaries or affiliates (whether or not billed or accrued for) as a result of or in connection with the negotiation, documentation and consummation of the Proposed Merger, including (a) all fees, costs, expenses, brokerage fees, commissions, finders’ fees and disbursements of financial advisers, investment banks, attorneys, accountants and other advisers and service providers, and (b) any and all tax and fees relating to reporting, filing and application payable by the Company or any of its subsidiaries or affiliates to the governmental authorities in connection with the Proposed Merger, subject to a cap of US\$7,000,000 (exclusive of any sponsor fees payable to the sponsors incurred in connection with the New Listing Application)
“Company” or “our Company”	Genor Biopharma Holdings Limited (嘉和生物藥業(開曼)控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6998)
“Company’s Break Fee”	the break fee that may be payable by the Company to the Target pursuant to the Merger Agreement, details of which are set out in the section headed “Letter from the Board – The Proposed Merger – Break Fees”

DEFINITIONS

“Company’s JSC Representatives”	members of the Joint Steering Committee appointed by the Company pursuant to the Merger Agreement and the terms of reference of the Joint Steering Committee from time to time
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	the Shares to be allotted and issued by the Company to the Target Shareholders at the Merger Effective Time pursuant to the Merger Agreement
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s) of the Enlarged Group”	unless the context requires otherwise, refers to Mr. Ni, Talent Creation and Chinapharm Group, the Controlling Shareholders of the Enlarged Group immediately following the Merger Closing
“Converted Option(s)”	has the meaning given to it in the section headed “Letter from the Board – The Proposed Merger – Share options under the Target Share Option Scheme”
“CS Share Repurchase”	the share repurchase of a total of 11,017,610 Target Shares by the Target settled in October 2022, details of which are set out in “History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group – CS Share Repurchase”
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Dissenting Target Shareholders”	Target Shareholders who have validly exercised and have not effectively withdrawn or lost their Appraisal Right in accordance with Section 238 of the Cayman Companies Act
“Dissenting Target Shares”	the Target Shares that are held by the Dissenting Target Shareholders

DEFINITIONS

“Dr. Guo”	Dr. Guo Feng, the chief executive officer of the Company as of the Latest Practicable Date
“Dr. Guo’s Qualifying Acceleration Period”	has the meaning given to it in the section headed “Letter from the Board – Special Deal in Relation to the Retention Plan of the Shareholder Personnel”
“Ease Pacific”	Ease Pacific Limited, a company with limited liability incorporated in the BVI on 28 May 2018 and a wholly-owned subsidiary of the Target
“Eddingpharm (Asia)”	Eddingpharm (Asia) Co., Ltd., a limited company incorporated in Malaysia on 2 July 2008 and a wholly-owned subsidiary of the Target
“Eddingpharm (Asia) Macau”	Eddingpharm (Asia) Macao Commercial Offshore Limited, a limited company incorporated in Macau on 1 February 2002 and a wholly-owned subsidiary of the Target
“Eddingpharm Cayman”	Eddingpharm Group (Cayman) Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 29 September 2015
“Eddingpharm China”	Eddingpharm (China) Co., Ltd. (億騰醫藥(中國)有限公司), a company established in the PRC with limited liability on 24 July 2009
“Eddingpharm Group BVI”	Eddingpharm Group Company Limited, a company incorporated in the BVI with limited liability on 15 August 2005 and a wholly-owned subsidiary of the Target
“Eddingpharm International”	Eddingpharm International Holdings Limited (億騰醫藥國際控股有限公司), a company incorporated in the Cayman Islands with limited liability on 17 April 2012
“Eddingpharm International BVI”	Eddingpharm International Company Limited, a company incorporated in the BVI with limited liability on 21 September 2006 and a wholly-owned subsidiary of the Target

DEFINITIONS

“Eddingpharm (Suzhou)”	Eddingpharm (Suzhou) Co., Ltd. (億騰醫藥(蘇州)有限公司) (formerly known as Suzhou Ceclor Pharmaceutical Co., Ltd. (蘇州西克羅製藥有限公司)), a company established in the PRC with limited liability on 26 February 2019 and a wholly-owned subsidiary of the Target
“Eddingpharm Suzhou”	Eddingpharm (Suzhou) Co., Ltd. (蘇州億騰藥品銷售有限公司), a company established in the PRC with limited liability on 13 December 2017 and a wholly-owned subsidiary of the Target
“EGM”	the extraordinary general meeting of the Company to be convened on Monday, 22 December 2025 at 10:00 a.m., for the purpose of, among other things, seeking approval from the Shareholders in respect of the Shareholders’ Approval Matters of the Company in accordance with the Listing Rules, the Takeovers Code and the Memorandum and Articles (as may be amended and/or restated from time to time)
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
“Eli Lilly”	Eli Lilly and Company, a pharmaceutical company incorporated in the U.S., which is an Independent Third Party, or any of its affiliates and joint ventures
“Employment Termination Time”	has the meaning given to it in the section headed “Letter from the Board – Special Deal in Relation to the Retention Plan of the Shareholder Personnel”
“Enlarged Group”	the Group as enlarged by the Target Group upon the Merger Closing
“ERC Cayman”	ERC Pharma (Cayman) Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 23 November 2018 and a wholly-owned subsidiary of the Target

DEFINITIONS

“ERC Pharma”	ERC Pharma (Suzhou) Co., Ltd. (瑞思醫藥(蘇州)有限公司), a company established in the PRC with limited liability on 14 February 2016 and a wholly-owned subsidiary of the Target
“EU”	the European Union
“EUR” or “€”	the official currency of 20 of the 27 member states of the EU
“EV/EBITDA Ratio”	the Enterprise Value-to-Earnings Before Interest, Taxes, Depreciation and Amortisation ratio
“Excellent Apex”	Excellent Apex Group Limited, a company incorporated in the BVI with limited liability on 23 November 2015 and a wholly-owned subsidiary of the Target
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“FDA”	the U.S. Food and Drug Administration
“Frost & Sullivan” or “F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by the Target Group and prepared by Frost & Sullivan for the purpose of this circular
“Greater China”	Chinese mainland, Macau, Hong Kong and Taiwan
“Group”, “we” or “us”	the Company and its subsidiaries, and “Group Company” shall mean any one of them
“GSK”	GlaxoSmithKline PLC, a pharmaceutical company incorporated in the United Kingdom, which is an Independent Third Party, or any of its affiliates and joint ventures

DEFINITIONS

“Hainan Boao Pilot Zone”	a pilot zone in Hainan, China established with the approval of the State Council in 2013 and granted certain preferential policies, aiming at providing high-quality medical tourism-related services to visitors from home and abroad
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS Accounting Standards”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser appointed by the Company to advise the Listing Rules IBC and the Takeovers Code IBC and the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel (including the Retention Plan of Mr. Weng), and as to voting therefor
“Independent Shareholders”	the Shareholders, other than those who are involved in or interested in the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the other transactions contemplated under the Merger Agreement who are required to abstain from voting at the EGM to be convened in accordance with the Listing Rules, the Takeovers Code and other applicable laws, rules and regulations
“Independent Third Party(ies)”	party or parties that, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is or are not a connected person or connected persons of the Company within the meaning of the Listing Rules
“Invested Entity”	has the meaning given to it in Appendix VI to this circular

DEFINITIONS

“Irrevocable Undertaking(s)”	has the meaning given to it in the section headed “Letter from the Board – Irrevocable Undertakings”
“IU Shareholder”	has the meaning given to it in the section headed “Letter from the Board – Irrevocable Undertakings”
“Joint Sponsors”	Morgan Stanley Asia Limited and SPDB International Capital Limited
“Joint Steering Committee”	the committee established on 4 October 2024 pursuant to the Merger Agreement, and a summary of its terms of reference is set out in the section headed “Letter from the Board – The Proposed Merger – Establishment of the Joint Steering Committee”
“JPY”	the official currency of Japan
“Last Trading Day”	12 September 2024, being the last trading day for the Shares immediately before the publication of the Announcement
“Latest Practicable Date”	2 December 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Lebanon”	the Republic of Lebanon
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Guide”	the Guide for New Listing Applicants published by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Listing Rules IBC”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen (each an independent non-executive Director) established pursuant to the Listing Rules for the purpose of advising the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor

DEFINITIONS

“Loans”	the loans made by the Target Group to Mr. Ni, details of which are set out in the section headed “Letter from the Board – The Proposed Merger – Merger Consideration”
“Lock-up Period”	has the meaning given to it in the section headed “Letter from the Board – The Proposed Merger – Consideration Shares and Theoretical Issue Price”
“Long Stop Date”	31 December 2025, as extended pursuant to the Amendment Agreement, or such other later date as may be further extended pursuant to the Merger Agreement and the Amendment Agreement
“M&A Rules”	Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the STA, the SAIC, the CSRC, and the SAFE on 8 August 2006, and came into effect on 8 September 2006 and subsequently amended on 22 June 2009, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of PRC
“MAH”	the marketing authorisation holder, the entity that obtains a drug registration certificate from the relevant drug regulatory authority, who is allowed to market and sell a drug in the approved region and is responsible for the entire lifecycle of the drug, including R&D, manufacturing, marketing, and usage
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the eighth amended and restated memorandum of association of the Company adopted by special resolution passed on 27 June 2024, a summary of which is set out in “Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law” to this circular
“Merger Agreement”	the agreement and plan of merger dated 13 September 2024 entered into among the Company, the Target and the Merger Sub in respect of the Proposed Merger, as amended by the Amendment Agreement and as may be further amended, supplemented, and/or restated from time to time
“Merger Closing”	the closing of the Proposed Merger at the Merger Effective Time in accordance with the Merger Agreement
“Merger Closing Date”	the date on which the Merger Closing takes place
“Merger Conditions Precedent”	the conditions precedent to the obligations of the Company and/or the Target to consummate, or cause to be consummated, the Proposed Merger, details of which are set out in the section headed “Letter from the Board – The Proposed Merger – Merger Conditions Precedent”
“Merger Effective Time”	9:00 a.m. (Hong Kong time) on the date of the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange
“Merger Sub”	GenEdd, a company incorporated in the Cayman Islands, and a wholly-owned subsidiary of the Company as of the Latest Practicable Date
“MNCs”	multinational pharmaceutical companies, including both overseas pharmaceutical companies, wholly foreign-owned pharmaceutical companies in China and Chinese-foreign jointly owned pharmaceutical companies in China
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

DEFINITIONS

“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOP”	lawful currency of Macau
“Mr. Ni”	Mr. Ni Xin, the controlling shareholder, founder, chairman, executive director and chief executive officer of the Target as of the Latest Practicable Date, and the Chairman, executive Director, president and Controlling Shareholder of the Enlarged Group immediately following the Merger Closing
“Mr. Weng”	Mr. Weng Chengyi, the executive Director and the chief financial officer of the Company as of the Latest Practicable Date
“NDRC”	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)
“Net Cash Balance”	the amount equals to the Company’s cash on balance sheet as at 31 December 2024 <i>minus</i> the Company’s liabilities on and off-balance sheet liabilities (in absolute terms) as at 31 December 2024 <i>plus</i> the Company’s potential off-balance sheet cash inflows as at 31 December 2024
“New Listing Application”	the deemed new listing application in relation to the Proposed Merger to be filed by the Company with the Stock Exchange pursuant to the Listing Rules
“New Listing Application Deadline”	6:00 p.m. (Hong Kong time) on 30 June 2025 as extended pursuant to the Amendment Agreement
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) from 2013 to 2018 and the State Food and Drug Administration (國家食品藥品監督管理局) from 2003 to 2013
“Non-exercisable Option(s)”	has the meaning given to it in Appendix VI to this circular

DEFINITIONS

“Non-PRC Resident Enterprise”	as defined under the EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“One-off Share Option Plan”	a one-off share option plan to be adopted by the Company upon passing of the relevant resolution at the EGM, details of which are set out in Appendix VI to this circular
“Option Period”	has the meaning given to it in Appendix VI to this circular
“Other Shareholder Personnel’s Qualifying Acceleration Period”	has the meaning given to it in the section headed “Letter from the Board – Special Deal in Relation to the Retention Plan of the Shareholder Personnel”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“P/E Ratio”	the price to earnings ratio
“pharmaceutical business”	has the meaning given to it in the section headed “Letter from the Board – The Proposed Merger – Share Exchange Ratio”
“Plan Limit”	has the meaning given to it in Appendix VI to this circular
“Plan of Merger”	the plan of merger to be executed and filed in accordance with the Merger Agreement and pursuant to Part XVI of the Cayman Companies Act with the Cayman Registrar
“Post-IPO Share Option Plan”	the share option plan adopted by the Company on or around 18 September 2020 and terminated with effect from 27 October 2023, but share options outstanding thereunder shall continue to be valid and exercisable in accordance with the plan rules and the relevant grant agreements

DEFINITIONS

“PRC Legal Advisers”	Jingtian & Gongcheng
“Pre-Existing Company Share Schemes”	collectively, the Pre-IPO Share Option Plan, the Post-IPO Share Option Plan, the 2023 Share Option Plan, the 2021 RSU Plan and the 2023 RSU Plan
“Pre-IPO Share Option Plan”	the share option plan adopted by the Company on 19 August 2019 and amended and restated on 16 April 2020 and 31 July 2020, respectively
“Pre-RTO Investment(s)”	the pre-RTO investment(s) in the Target, details of which are set out in “History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group”
“Pre-RTO Investor(s)”	the investor(s) of the Pre-RTO Investments, details of which are set out in “History, Development and Corporate Structure of the Target Group – Pre-RTO Investments – Information about the Pre-RTO Investors”
“Presumed Maximum Share Exchange Ratio”	has the meaning given to it in the section headed “Letter from the Board – The Proposed Merger – Share Exchange Ratio”
“Previous Listing Applications”	has the meaning given to it in the section headed “Letter from the Board – Information on the Target Group – Previous listing application in relation to the Target Group”
“Price Per Company Share”	the quotient of the Company Equity Value divided by the Company Fully-Diluted Shares
“Price Per Target Share”	the quotient of Target Equity Value divided by the Target Fully-Diluted Shares
“Proposed Change of Company Name”	has the meaning given to it in the section headed “Letter from the Board – Proposed Change of Company Name”
“Proposed Director(s)”	the proposed director(s) of the Company upon the Merger Closing, including the Remaining Director

DEFINITIONS

“Proposed Merger”	the proposed merger of the Merger Sub with and into the Target, with the Target surviving such merger and becoming a wholly-owned subsidiary of the Company, pursuant to the Merger Agreement
“Proposed Termination of the 2023 Share Schemes”	has the meaning given to it in the section headed “Letter from the Board – Proposed Termination of the 2023 Share Schemes”
“province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC government
“Qatar”	the State of Qatar
“R&D”	research and development
“Relevant Period”	the period commencing six months immediately preceding the date of the Announcement (being 7 October 2024) and ending on the Latest Practicable Date
“Remaining Director”	Mr. Yu Tieming, an existing Director who will continue to serve on the Board as a non-executive Director as from the Merger Effective Time
“Remaining IPO Proceeds”	has the meaning given to it in the section headed “Letter from the Board – Proposed Use of the Remaining IPO Proceeds Upon the Merger Closing”
“Renminbi” or “RMB”	the lawful currency of the PRC
“Retained Period”	has the meaning given to it in the section headed “Letter from the Board – Special Deal in Relation to the Retention Plan of the Shareholder Personnel”
“Retention Agreement(s)”	the retention agreement(s) dated 13 September 2024 entered into between the Company and the Target in relation to the Retention Plan of the Shareholder Personnel
“Retention Plan” or “Special Deal”	the plan to retain the Shareholder Personnel upon the Merger Closing pursuant to the Retention Agreements, which plan constitutes a special deal under Rule 25 of the Takeovers Code

DEFINITIONS

“RSUs”	restricted share unit(s) granted under the 2021 RSU Plan or the 2023 RSU Plan
“Rule 18A.10 Consent”	the consent granted by the Stock Exchange pursuant to Rule 18A.10 of the Listing Rules in respect of the Proposed Merger, or a waiver to be granted by the Stock Exchange from strict compliance with the requirements under Rule 18A.10 in respect of the Proposed Merger (as the case may be)
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into SAMR in March 2018
“SAMR”	the State Administration for Market Regulation (國家市場監督管理總局)
“Series E Share Repurchase”	the share repurchase of a total of 30,546,801 Target Shares by the Target settled in June 2023, details of which are set out in “History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group – Series E Share Repurchase”
“Services”	has the meaning given to it in the section headed “Letter from the Board – CDK4/6i Outsourcing Management Agreement”
“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
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares

DEFINITIONS

“Shareholder Personnel”	including (i) Mr. Weng (executive Director and chief financial officer of the Company), who held 372,500 Shares (representing approximately 0.07% of the issued Shares of the Company); (ii) Dr. Guo (chief executive officer of the Company), who held 13,997,343 Shares (representing approximately 2.65% of the issued Shares of the Company); and (iii) eight other then employees of the Group as at the date of the Retention Agreement (including (a) four existing employees of the Group, being the chief technology officer, senior vice president of human resources, finance director and associate director of CMC of the Company, who held in aggregate 340,000 Shares (representing approximately 0.06% of the issued Shares of the Company) as at the Latest Practicable Date; and (b) four other personnel who had left the Group since the Retention Agreement was entered into and therefore the Retention Agreement is no longer applicable to such four personnel)
“Shareholders’ Approval Matters of the Company”	the Merger Agreement, the Proposed Merger, the Whitewash Waiver, the Specific Mandate, the proposed increase in authorised share capital of the Company, the Proposed Change of Company Name, the proposed adoption of the One-off Share Option Plan and the grant of the Converted Options thereunder (if required), the Retention Plan of the Shareholder Personnel and any other resolutions necessary for the purpose of consummating the transactions contemplated under the Merger Agreement and other transaction documents
“Share Exchange Ratio”	the quotient of the Price Per Target Share divided by the Price Per Company Share
“Shionogi”	Shionogi & Co., Ltd., a pharmaceutical company incorporated in Japan, which is an Independent Third Party, or any of its affiliates and joint ventures
“Southeast Asia”	Singapore, Thailand, Vietnam, Myanmar, Philippines, Malaysia and Indonesia
“Specific Mandate”	the specific mandate to be sought at the EGM for the approval of the allotment and issue of the Consideration Shares

DEFINITIONS

“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Statutory Compensation Amount (2N)”	the amount of compensation calculated as twice the employee’s monthly salary for each year of service with the employer under the PRC Labour Contract Law
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublicense Agreement”	a sublicense agreement entered into between Eddingpharm Suzhou and Taizhou EOC on 9 May 2023, pursuant to which Taizhou EOC agreed to grant an exclusive sublicense to Eddingpharm Suzhou to commercialise Jing Zhu Da in the field of treatment of human cancers, accompanying diagnostic tests in Chinese mainland
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Suremoment Investments”	Suremoment Investments Limited, a company incorporated in the BVI with limited liability on 21 September 2006 and wholly owned by Mr. Ni
“Taizhou EOC”	Taizhou EOC Pharma Co., Ltd. (泰州億騰景昂藥業股份有限公司), a company established in the PRC with limited liability on 21 October 2010. As of the Latest Practicable Date, Taizhou EOC was owned as to approximately (i) 61.20% by EOC Pharma Limited (which was in turn controlled as to approximately 62.34% by Mr. Ni), (ii) 1.73% by Eddingpharm International (which was in turn controlled as to approximately 64.41% by Mr. Ni), (iii) 1.65% by Eddingpharm (Suzhou) and (iv) the remaining 35.42% interest of Taizhou EOC was held by 20 independent third parties outside the Target Group, among which, 9.04% was held by HSG Venture V Holdco A, Ltd. and 7.57% was held by Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)). None of the remaining shareholders of Taizhou EOC held more than 5% equity interest.

DEFINITIONS

“Taizhou EOC Group”	Taizhou EOC and all of its subsidiaries
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Takeovers Code IBC”	the independent committee of the Board, comprising all non-executive Directors who has no direct or indirect interest in the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, namely Mr. Yu Tieming and Mr. Liu Yi (each a non-executive Director), and Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen (each an independent non-executive Director) established pursuant to Rule 2.8 of the Takeovers Code for the purpose of advising the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor
“Talent Creation”	Talent Creation Holdings Limited (顯智控股有限公司), a company incorporated in the BVI with limited liability on 15 January 2008 and one of the Controlling Shareholders of the Enlarged Group
“Target”	Edging Group Company Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 8 June 2020
“Target Controlling Shareholders”	collectively, Mr. Ni and the entities controlled by him through which he is interested in the Target Shares (namely, Talent Creation and Chinapharm Group)
“Target Controlling Shareholders Undertaking”	an undertaking dated 13 September 2024 entered into by the Target Controlling Shareholders in favour of the Company in relation to, among other things, (i) the lock-up undertaking of the Target Controlling Shareholders as set out in the section headed “Letter from the Board – The Proposed Merger – Consideration Shares and theoretical issue price”, and (ii) the retention arrangement of the Remaining Director as set out in the section headed “Letter from the Board – Proposed Changes to the Board Upon The Merger Closing”

DEFINITIONS

“Target Director(s)”	the director(s) of the Target
“Target Equity Value”	US\$677,000,000
“Target Fully-Diluted Shares”	without duplication, (a) the aggregate number of Target Shares (i) that are issued and outstanding immediately prior to the Merger Effective Time; (ii) that are issuable upon the exercise of all share options, warrants, convertible notes and other equity securities of the Target linked to the Target Shares, each of which remaining issued and outstanding immediately prior to the Merger Effective Time, and (iii) to extent not covered under (i) and (ii) that are issuable upon the grant, vesting and exercise of all share options that are reserved but not yet granted under the Target Share Option Scheme, <i>minus</i> (b) the aggregate number of Target Shares held by the Target or any of its subsidiaries in treasury immediately prior to the Merger Effective Time (if any)
“Target Group”	Target and all of its subsidiaries or, where the context so requires, in respect of the period before the Target became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Target Reorganisation”	the corporate reorganisation of the Target Group prior to the Merger, particulars of which are set out in “History, Development and Corporate Structure of the Target Group – Target Reorganisation”
“Target Shareholders”	registered holders of the Target Shares, for the avoidance of doubt, including but not limited to the Target Controlling Shareholders and the Taxable Target Shareholders
“Target Shares”	shares of the Target
“Target Share Option(s)”	the share option(s) granted to the Target Share Option Scheme Grantees under the Target Share Option Scheme
“Target Share Option Scheme”	the share option scheme adopted by the Target on 31 July 2020, as amended from time to time

DEFINITIONS

“Target Share Option Scheme Grantees”	the grantees under the Target Share Option Scheme immediately prior to the Merger Effective Time
“Target Share Subdivision”	the subdivision of each share in the Target’s issued and unissued share capital with par value of US\$0.0001 each into five Target Shares of the corresponding class with par value US\$0.00002 each on 26 June 2021, details of which are set out in “History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group – Target Share Subdivision”
“Target Transaction Fees”	any and all out-of-pocket and reasonable fees and expenses payable by the Target or any of its subsidiaries or affiliates (whether or not billed or accrued for) as a result of or in connection with the negotiation, documentation and consummation of the Proposed Merger, including (a) all fees, costs, expenses, brokerage fees, commissions, finders’ fees and disbursements of financial advisers, investment banks, attorneys, accountants and other advisers and service providers, and (b) any and all tax and fees relating to reporting, filing and application payable by the Target or any of its subsidiaries or affiliates to the governmental authorities in connection with the Proposed Merger, subject to a cap of US\$10,000,000
“Target’s Break Fee”	the break fee that may be payable by the Target to the Company pursuant to the Merger Agreement, details of which are set out in the section headed “Letter from the Board – The Proposed Merger – Break fees”
“Target’s JSC Representatives”	members of the Joint Steering Committee appointed by the Target pursuant to the Merger Agreement and the terms of reference of the Joint Steering Committee from time to time

DEFINITIONS

“Tax Circular 7”	the “Announcement of the State Taxation Administration on Several Issues Concerning Enterprise Income Tax on the Indirect Transfer of Properties by Non-Resident Enterprises” (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) Public Notice [2015] No. 7, issued by the PRC State Administration of Taxation on 3 February 2015, as amended, supplemented, modified or interpreted from time to time by any implementing rules and regulations, and any successor rule or regulation thereof under the laws of the PRC
“Tax Circular 7 Deductible Share(s)”	the number of Share(s) calculated based on the quotient of the equivalent amount of the tax payable by a Taxable Target Shareholder under Tax Circular 7 in USD divided by the Price Per Company Share, which shall be rounded up to the nearest whole Share
“Tax Circular 7 Surfeit Share(s)”	has the meaning given to it under the section headed “Letter from the Board – The Proposed Merger – Merger consideration”
“Tax Circular 7 Withholding Share(s)”	the number of Share(s) calculated as the product of 10% of the total number of Target Shares held by a Taxable Target Shareholder immediately prior to the Merger Effective Time <i>multiplied</i> by the Share Exchange Ratio, which shall be rounded up to the nearest whole Share
“Taxable Target Shareholders”	the Target Shareholders who are subject to PRC tax liabilities in relation to the deemed indirect transfer of equity interest in PRC resident enterprises in the Proposed Merger (i.e., the deemed indirect transfer of equity interest in the PRC subsidiaries of the Target as a result of the Proposed Merger) pursuant to Tax Circular 7; as of the Latest Practicable Date, the list of Taxable Target Shareholders comprises: (1) Talent Creation; (2) Chinapharm Group; (3) Risehill Investments Limited; (4) Clear Peak Investments Limited; (5) OrbiMed Asia Partners, L.P.; (6) OrbiMed Asia Partners III, L.P.; (7) HongShan Capital I, L.P.; (8) HongShan Capital Partners Fund I, L.P.; (9) HongShan Capital Principals Fund I, L.P.; (10) HongShan Capital Growth Fund I, L.P.; (11) HongShan Capital Growth Partners Fund I, L.P.; (12) HongShan Capital GF Principals Fund I, L.P.; (13) HSG Growth V Holdco Q, Ltd.; (14) Pink Crystal China Fund, L.P.; (15) Domain Partners VIII, L.P.; (16) DP VIII Associates, L.P.; (17) Novel Insight Investments Limited; (18) Novel Sky Global Limited; and (19) SPDBI Eagle Limited

DEFINITIONS

“Termination Events”	the termination events set out in the section headed “Letter from the Board – The Proposed Merger – Termination”
“Tigermed”	Hangzhou Tigermed Consulting Co., Ltd., a CRO company established in China, which is an Independent Third Party, or any of its affiliates and joint ventures
“Track Record Period”	the three years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025
“Transitional Period”	the period from the date of the Merger Agreement to the date of the Merger Closing or the date on which the Merger Agreement is terminated pursuant to the terms thereof, whichever is the earlier
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “USD” or “US\$”	United States dollars, the lawful currency of the United States
“Unconditional Date”	the date on which all Merger Conditions Precedent have been satisfied or waived (if applicable) (other than those conditions that by their nature are to be satisfied immediately prior to or at the Merger Effective Time), or if such date is not a Business Day, the Business Day immediately following such date, or such other later date as may be mutually agreed in writing by the Company and the Target
“Vascepa”	refers to the trademark brand name of Vascepa [®]
“Whitewash Waiver”	a waiver from the obligation of Mr. Ni to make a conditional mandatory general offer for all the issued Shares and other securities not already owned or agreed to be acquired by him and parties acting in concert with him pursuant to Rule 26 of the Takeovers Code as a result of the allotment and issue of the Consideration Shares pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code

DEFINITIONS

“%”

per cent

In this circular, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent.

Certain amounts and percentage figures, such as share ownership and operating data, included in this circular may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

For the purpose of this circular, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

If there is any inconsistency between the English version of this circular and the Chinese translation of this circular the English version of this circular shall prevail unless otherwise stated. However, translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries and the subsidiaries of the Target), institutions, natural persons, facilities, certificates, titles and the like included in this circular and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

In this circular, unless otherwise stated, the following exchange ratios are used for illustrative purpose:

- *1 USD: 7.7898 HKD*
- *1 USD: 7.0794 RMB*
- *1 HKD: 0.9088 RMB*

GLOSSARY OF TECHNICAL TERMS

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

“6σ quality level”	a statistical term used to measure the number of defects that processes have, which indicates high-quality performance because a process performing at a 6σ quality level allows only 3.4 defects per one million opportunities
“β-oxidation”	a multistep process by which fatty acids are broken down by various tissues to produce energy
“absorption”	the process of a drug moving from its site of delivery into the bloodstream
“active pharmaceutical ingredient”, or “API”	the substance in a pharmaceutical drug that is biologically active
“acyl-CoA:1,2-diacylglycerol acyltransferase”, or “DGAT”	a key enzyme for biotechnological purposes
“adverse events” or “AEs”	any untoward medical occurrence in a patient or clinical trial subject associated with the use of a drug or other therapy
“anaemia”	low levels of healthy red blood cells or haemoglobin
“angina”	a type of chest pain caused by reduced blood flow to the heart
“anti-bacterial”	an agent that interferes with the growth and reproduction of the bacteria
“anti-infective”	an agent that is capable of acting against infection, either by inhibiting the spread of an infectious agent or by killing the infectious agent outright; anti-infectives can be further classified into anti-fungal, anti-bacterial, anti-viral and other types

GLOSSARY OF TECHNICAL TERMS

“antibiotics”	a substance, such as penicillin or streptomycin, produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
“Apolipoprotein B”	is a protein that in humans is encoded by the APOB gene
“asthma”	a long-term disease of the lungs which causes airways to get inflamed and narrow and makes patients hard to breathe
“asthmatic airway”	the asthma patients’ breathing tubes that carry air into lungs
“ATC class”	Anatomical Therapeutic Chemical classification system, the active substances are divided into different groups according to the organ or system on which they act and their therapeutic, pharmacological and chemical properties
“bacteria” or “bacterium”	a type of biological cell
“binding rate”	a measure that describes how fast a compound binds to its target and how fast it dissociates from it
“bioavailability”	to the extent and rate at which the active moiety (drug or metabolite) enters systemic circulation, thereby accessing the site of action
“CAGR”	compound annual growth rate, calculated by dividing the ending value by the beginning value of a period, raised to the power of one divided by the number of years within the period, and subtracting one from the subsequent result, or in formula form as follows:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\text{Number of Years}} \right)} - 1$$

GLOSSARY OF TECHNICAL TERMS

“cancer”	a disease characterized by unregulated growth of cells which is generally fatal
“cardiac”	relating to the heart
“cardiovascular”, or “CV”	pertaining to the heart and blood vessels
“cardiovascular disease”, or “CVD”	a class of diseases that involve the heart and blood vessels
“CDK4/6”	cyclin-dependent kinases 4 and 6, which are enzymes that play a crucial role in regulating the cell cycle and are targeted in cancer therapies to inhibit tumour growth
“CDK4/6i”	CDK4/6 inhibitor
“central nervous system”, or “CNS”	the brain and spinal cord; in this circular, CNS also refers to the therapeutic area dealing with the brain and spinal cord diseases, as appropriate, which is in line with the ATC class, an internationally accepted classification system for medicines that is maintained by the World Health Organisation
“cGMP”	current Good Manufacturing Practice
“chemotherapy”	a treatment of disease by means of chemical substances or drugs; usually used in reference to cancer
“cholesterol absorption inhibitors”	a class of compounds that prevent the uptake of cholesterol from the small intestine into the circulatory system
“chronic liver disease” or “CLD”	a progressive and long-term condition characterized by damage and inflammation to the liver that persists for at least six months
“chronic obstructive pulmonary disease” or “COPD”	a type of obstructive lung disease characterized by long-term breathing problems and poor airflow

GLOSSARY OF TECHNICAL TERMS

“clinical trial”	an experiment performed on human beings in order to evaluate the comparative efficacy of two or more therapies. An experimental design used for testing the effectiveness of a new medication or a new therapeutic procedure. Individuals are assigned randomly to a treatment group (experimental therapy) and a control group (placebo or standard therapy) and the outcomes of the two groups are compared
“CMC”	chemistry, manufacturing, and controls processes
“CMO”	contract manufacturing organisation, a company that manufactures drug products for pharmaceutical companies on a contract basis
“community-acquired pneumonia”	pneumonia contracted by a person outside of the healthcare system
“complication”	an unfavorable result of a treatment
“compounds”	a substance consisting of two or more elements in union
“COVID-19”	an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“CRA”	cardio-renal-anaemia syndrome, a medical condition or a constellation of disorders that involve the interplay of cardiovascular (related to the heart and blood vessels), renal (related to the kidneys), and anaemia (a decrease in the number of red blood cells or haemoglobin) abnormalities. This term is often used to describe the complex relationship and overlapping pathophysiology between cardiovascular disease, kidney dysfunction, and anaemia, which can frequently coexist and influence each other
“CRO”	a contract research organisation, who provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
“CRR”	cardiovascular risk reduction

GLOSSARY OF TECHNICAL TERMS

“CSO”	a contract sales organisation, who provides outsourced sales and marketing services to pharmaceutical, biotechnology, and medical device companies
“DHA”	docosahexaenoic acid
“diabetes” or “diabetes mellitus”	a chronic disease that occurs either when the pancreas does not produce enough insulin or when the body cannot effectively use the insulin it produces
“dry powder inhaler” or “DPI”	a device that delivers medication to the lungs in the form of a dry powder
“endocrine therapy”	a type of cancer treatment that uses drugs to block the activity of hormones or hormone receptors, which are often involved in the growth and progression of hormone receptor-positive cancers such as breast and prostate cancer
“EPA”	eicosapentaenoic acid, a omega-3 acids
“first-line drug”	a medication that is the initial recommended therapy for a particular medical condition, based on clinical guidelines and evidence-based research
“gastrointestinal”	relating to stomach and intestines
“GCP”	good clinical practice, a quality standard for conducting clinical trials
“generic drug” or “generics”	a drug that is chemically identical to an original drug and is generally available in the same strength and dosage forms as the original
“Generic Quality Consistency Evaluation” or “GQCE”	a series of policies promulgated by and procedures established by the PRC government to assess and ensure the consistency of quality among generic drugs, which involves a series of tests and evaluations conducted by regulatory authorities to compare the quality, safety, and efficacy of generic drugs with their corresponding reference drugs. The evaluations typically include tests on the generic drugs’ APIs, formulation, bioequivalence, and stability

GLOSSARY OF TECHNICAL TERMS

“glucocorticoid receptor”	the receptor to which cortisol and other glucocorticoids bind
“glycopeptide antibiotics”	a type of antibiotic that inhibits bacterial cell wall formation by inhibiting peptidoglycan synthesis (the process by which bacteria construct and maintain their cell walls, which are crucial for their survival and structural integrity)
“GMP”	good manufacturing practice, a system for ensuring that products are consistently produced and controlled according to quality standards
“HDAC”	histone deacetylase, an enzyme that removes acetyl groups from histone proteins, resulting in a more closed chromatin structure and repression of gene expression
“heart attack”	the death of a segment of heart muscle caused by a loss of blood supply
“hematology”	the medical specialty that pertains to the anatomy, physiology, pathology, symptomatology, and therapeutics related to the blood and blood-forming tissues
“hematopoietic stem cells”	a class of cells that give rise to other blood cells
“hepatic”	of or relating to the liver
“HR+/HER2-”	a classification of breast cancer that is hormone receptor-positive (HR+) and human epidermal growth factor receptor 2- negative (HER2-), indicating that the cancer cells grow in response to hormones but do not over-express the HER2 protein
“hydrochloride”	an acid salt resulting, or regarded as resulting, from the reaction of hydrochloric acid with an organic base
“hypertriglyceridemia” or “HTG”	an abnormal concentration of triglyceride in the blood, which is an important marker of risk for CV events. The Target Group’s Vascepa received NDA approval from the NMPA for the treatment of severe HTG levels (≥ 500 mg/dL)
“icosapent ethyl” or “IPE”	a type of omega-3 fatty acid

GLOSSARY OF TECHNICAL TERMS

“ICU”	intensive care unit, a hospital facility for provision of intensive nursing and medical care of critically ill patients, characterized by the high quality and quantity of continuous nursing and medical supervision and by use of sophisticated monitoring and resuscitative equipment
“IDL license” or “imported drug license”	the Drug Registration Certificates (藥品註冊證書), the Approval Notice for Drug Re-registration (藥品再註冊批准通知書) and the Approval Notice for Drug Supplementary Applications for drugs (藥品補充申請批准通知書) issued by the NMPA, which authorises the importation of an imported drug. The holder of a imported drug license is the marketing authorisation holder for the drug
“IL-11”	interleukin-11, a protein molecule involved in the immune system and various biological processes. Interleukins are a group of signalling molecules that help communicate between different cells of the immune system. IL-11 is produced by various cell types, and plays a role in cell signalling and communication
“IND” or “CTA”	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as clinical trial application, or CTA, in China
“indication”	symptom or particular circumstance that indicates the advisability or necessity of a specific medical treatment or procedure
“infection”	the invasion of an organism’s body tissues by disease-causing agents, their multiplication, and the reaction of host tissues to the infectious agents and the toxins they produce
“inflammation” or “inflammatory”	a localised physical condition in which part of the body becomes reddened and swollen, especially as a reaction to injury or infection
“inhaled corticosteroid” or “ICS”	a type of medications used to treat asthma and are taken by using an inhaler

GLOSSARY OF TECHNICAL TERMS

“inhaler”	a medical device used for delivering medicines into the lungs through the work of a person’s breathing
“inhibitor”	a protective tissue response to injury or destruction of tissues, which serves to destroy, dilute, or wall off both the injurious agent and the injured tissues
“injection”	sterile solution injection, emulsion injection or suspension injection which can be applied by way of intramuscular injection, intravenous injection or intravenous drip
“intent-to-treat patient population”	a group of subjects in a clinical trial that are intended to represent suitable patients and to be reflective of the treatment outcome if the treatment is used in clinical practice
“intravenous”	situated within, performed within, occurring within, or administered by entering a vein or subcutis
“invasive procedures”	operative procedures in which skin or mucous membranes and connective tissue are incised, or an instrument is introduced through a natural body orifice
“KOLs”	key opinion leaders
“lipid”	broad group of naturally occurring molecules that include fats, waxes, sterols, fat-soluble vitamins, monoglycerides, diglycerides, triglycerides, phospholipids and others
“lipogenesis”	a process of fatty acid and triglyceride synthesis from glucose or other substrates
“lipoprotein lipase”	an extracellular enzyme on the vascular endothelial surface that degrades circulating triglycerides in the bloodstream
“long-acting beta-agonists” or “LABA”	a medicine that are most often used as in combination with an inhaled steroid
“low-density lipoprotein cholesterol” or “LDL-C”	the cholesterol that carries the bulk of circulating cholesterol and is often called the “bad” cholesterol because it a high low-density lipoprotein level leads to a buildup of cholesterol in arteries

GLOSSARY OF TECHNICAL TERMS

“MA”	market authorisation, an authorisation for allowing to market a drug product within a certain region or country
“MACE”	major adverse CV events
“MAH”	marketing authorisation holder, a company that holds the legal responsibility for a medical product, and is authorised to market and distribute that product within a specific geographic area
“MRSA”	methicillin-resistant <i>Staphylococcus aureus</i> , a type of bacteria that has developed resistance to many antibiotics, including methicillin and other commonly used antibiotics
“megakaryocytes”	highly specialized precursor cells that function solely to produce and release platelets into the circulation
“megakaryocytic progenitor cells”	a class of cells that produce platelets
“methylphenidate”	a central nervous system stimulant that is used to treat attention deficit hyperactivity disorder
“monotherapy”	a treatment involving a single drug
“mTOR inhibitor”	a type of medication that suppresses the activity of the mammalian target of rapamycin (“ mTOR ”) protein kinase, which plays a key role in regulating cell growth, proliferation, and metabolism, and is used to treat a variety of diseases, including cancer, autoimmune disorders, and organ transplantation
“myocardial infarction”	also known as a heart attack, occurs when blood flow decreases or stops to a part of the heart, causing damage to the heart muscle
“NDA”	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing

GLOSSARY OF TECHNICAL TERMS

“nebulizer” or “nebulizer suspension”	a piece of medical equipment that a person with asthma or another respiratory condition can use to administer medication directly and quickly to the lungs
“neurosurgery”	the medical specialty concerned with the prevention, diagnosis, surgical treatment, and rehabilitation of disorders which affect any portion of the nervous system including the brain, spinal cord, central and peripheral nervous system, and cerebrovascular system
“niacin”	an organic compound and a form of vitamin B3, an essential human nutrient
“NRDL”	China’s National Reimbursement Drug List
“off-label promotion”	medication which is being promoted in a manner not specified in the approved packaging label
“omega-3 fatty acids”	a class of fatty acids that have a double bond three carbons from the methyl moiety; reportedly, they play a role in lowering cholesterol and low-density lipoprotein levels
“originator-branded products” or “originator-branded drugs”	branded pharmaceutical products whose patents have expired and which are manufactured by the originator of such products or its acquiror or successor
“orthopedics”	the branch of surgery concerned with conditions involving the musculoskeletal system
“otolaryngology”	a medical specialty which is focused on the ears, nose, and throat
“peak serum concentration”	a result of a drug achieves in a specified compartment or test area of the body after the drug has been administered and before the administration of a second dose
“pediatric”	the branch of medicine that involves the medical care of infants, children and adolescents
“pharmacological” or “pharmacology”	the science of drugs and their effect on living systems

GLOSSARY OF TECHNICAL TERMS

“Phase I clinical trial”	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
“Phase II clinical trial”	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the drug for specific targeted diseases, and to determine dosage tolerance and optimal dosage
“Phase III clinical trial”	a study in which a drug is administered to an expanded patient population at geographically dispersed clinical trial sites to generate statistically sufficient data to evaluate the efficacy and safety of the drug for regulatory approval and to provide adequate information for the labelling of the product
“placebo”	a medical treatment or preparation with no specific pharmacological activity
“pre-clinical research”	research that tests a drug candidate on non-human subjects to gather efficacy and safety information to decide whether the drug candidate is ready for clinical trials in human subjects
“primary composite endpoint”	primary endpoints that contain two or more distinct component endpoints
“primary endpoint” or “primary efficacy endpoint”	a clinical or laboratory outcome measured in an individual after randomization that allows one to test the primary hypothesis and provides the means of assessing whether a therapy is effective compared with its control
“product yield rate”	percentage of non-defective items of all produced items
“relative risk reduction” or “RRR”	the difference in event rates between two groups
“resistance”	the reduction in effectiveness of a medication
“revascularization”	the restoration of perfusion to a body part or organ that has suffered ischemia

GLOSSARY OF TECHNICAL TERMS

“rhTPO”	recombinant human thrombopoietin, a therapy for the treatment of thrombocytopenia. Thrombopoietin is a glycoprotein made primarily in the liver that regulates the production of platelets
“rhEPOβ”	recombinant human erythropoietin beta, which is a synthetic form of Erythropoietin that is produced using recombinant DNA technology. rhEPOβ is used as a medication for the treatment of anaemia, particularly in patients with chronic kidney disease, cancer undergoing chemotherapy, and those with certain blood disorders
“RNA”	ribonucleic acid
“secondary composite endpoint”	secondary endpoints that contain two or more distinct component endpoints
“secondary endpoint”	endpoints that are analysed <i>post hoc</i> , for which the trial may not be powered nor randomized. Secondary endpoints may be selected to demonstrate additional effects after success on the primary endpoint
“side effect”	any reaction to or consequence of a medication or therapy that occur which goes beyond the desired effect
“skin and soft tissue infections”	clinical entities of variable presentation, etiology and severity that involve microbial invasion of the layers of the skin and underlying soft tissues ranging from mild infections, such as pyoderma, to serious life-threatening infections, such as necrotizing fasciitis
“statin”	a class of lipid-lowering medications that reduce illness and mortality in those who are at high risk of CV disease
“statistical significance”	the likelihood that a relationship between two or more variables is caused by something other than chance
“stroke”	a disease that affects the arteries leading to and within the brain

GLOSSARY OF TECHNICAL TERMS

“surgery”	a medical specialty that uses operative manual and instrumental techniques on a person to investigate or treat a pathological condition such as a disease or injury, to help improve bodily function or appearance or to repair unwanted ruptured areas
“T-cell engager”	a type of therapeutic agent designed to direct T-cells, a form of immune cell, to target and kill cancer cells
“tablets”	a medicinal formulation made of a compressed powdered substance containing an active drug and excipients
“thrombocytopenia” or “TCP”	a medical condition characterized by a lower than normal number of platelets in the blood. Platelets are small, colorless blood cells that play a crucial role in blood clotting, which helps to prevent excessive bleeding. In thrombocytopenia, the reduced platelet count can result in an increased risk of bleeding or bruising
“thrombopoietin receptor agonists” or “TPO-RAs”	a class of platelet growth factors commonly used to treat thrombocytopenia. TPO-RAs work by binding to the thrombopoietin receptor on megakaryocytes to increase production of mature platelets
“total effective equipment performance”	a performance metric that provides insights as to the true capacity of the manufacturing operation
“transmembrane domain”	regions of a protein that are hydrophobic
“treatment rate”	an indicator calculated by dividing the number of patients receiving any treatment regime by the total number of patients
“triglyceride” or “TG”	a type of fat (lipid) found in the bloodstream and stored in fat cells throughout the body, which are composed of three fatty acid molecules attached to a glycerol molecule. High triglyceride levels are considered a risk factor for cardiovascular disease
“urinary tract”	an infection that affects part of the urinary tract, which is the body’s drainage system for removing urine, which is made up of wastes and extra fluid

GLOSSARY OF TECHNICAL TERMS

“urology”	the branch of medicine that focuses on surgical and medical diseases of the male and female urinary-tract system and the male reproductive organs
“VBP Scheme”	volume-based procurement scheme, a centralised drug procurement government policy that aims to elevate drug accessibility through government-led bulk purchasing and negotiations
“very low-density lipoprotein triglycerides” or “VLDL-TG”	density relative to extracellular water, is a type of lipoprotein made by the liver. Studies suggest that EPA reduces hepatic VLDL-TG synthesis and/or secretion and enhances TG clearance from circulating VLDL particles

FORWARD-LOOKING STATEMENTS

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Target Group and/or the Enlarged Group for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical fact.

When used in this circular, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to the Group, the Target Group and/or the Enlarged Group, are intended to identify forward-looking statements. However, all statements in this circular other than statements of historical fact are forward-looking statements. Such forward-looking statements reflect the views of the management of the Group, the Target Group and/or the Enlarged Group as the case may be as at the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the expectations reflected in such forward-looking statements are believed to be reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- the operations and business prospects;
- the financial conditions and operating results and performance of the Group, the Target Group and/or the Enlarged Group;
- the future developments, trends and conditions in the industry and markets in which the Group, the Target Group and/or the Enlarged Group operate;
- the strategies, plans, objectives and goals and the ability to successfully implement these strategies, plans, objectives and goals;
- the timing of initiation and completion, and the progress of the R&D programs;
- the timing and likelihood of regulatory filings and approvals;
- the approval, pricing, reimbursement and commercialisation of the products;
- general economic, political and business conditions in the markets in which the Group, the Target Group and/or the Enlarged Group operate;
- changes to regulatory and operating conditions in the industry and markets in which the Group, the Target Group/or and the Enlarged Group operate;
- the ability to manage the sales network;
- the ability to maintain an effective quality control system;

FORWARD-LOOKING STATEMENTS

- the ability to continue to maintain the position in the industry in which the Group, the Target Group and/or the Enlarged Group operate;
- the ability to control or reduce costs;
- the dividend policy;
- the capital expenditure plans;
- the amount and nature of, and potential for, future development of business;
- capital market developments;
- the future debt levels and capital needs;
- the competitive environment of the industry and markets in which the Group, the Target Group and/or the Enlarged Group operate;
- the actions and developments of the competitors;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond the control of the Group, the Target Group and/or the Enlarged Group.

The forward-looking statements in this circular reflect the views of the management of the Group, the Enlarged Group and/or the Target Group as at the date of this circular and are subject to change in light of future developments. Subject to the requirements of applicable laws, rules and regulations including the Takeovers Code, the Group, the Enlarged Group and the Target Group do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this circular, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this circular might not occur in the way the Group, the Enlarged Group and/or the Target Group expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by the Group, the Enlarged Group and/or the Target Group that such plans and objectives will be achieved or realised. All forward-looking statements in this circular are qualified by reference to the cautionary statements in this section.

CORPORATE INFORMATION

The following sets out the corporate information relating to the Enlarged Group upon the Merger Closing.

Registered Office

Maples Corporate Services Limited

PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Headquarters in the PRC

Room 406, Building 1
No. 36 Doukou Road
Hengqin New Area
Zhuhai, Guangdong Province
PRC

**Principal Place of Business
in Hong Kong**

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

Company's Website

www.eddingpharm.com

*(Information contained in this website does
not form part of this circular)*

Joint Company Secretaries

Ms. Zhai Jing

Danling Talent Apartment
712 Lingshi Road
Jing'an District, Shanghai
PRC

Ms. Yip Chui Mei

*(an associate of The Hong Kong Chartered
Governance Institute and The Chartered
Governance Institute in the United
Kingdom)*

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

Authorised Representatives

Mr. Ni Xin
Ms. Yip Chui Mei

CORPORATE INFORMATION

Audit Committee

Ms. Zheng Jingjing (Chairperson)
Mr. Yu Tieming
Dr. Xu Qing

Compensation Committee

Dr. Xu Qing (Chairperson)
Dr. David Guowei Wang
Mr. Chen Wen

Nomination Committee

Mr. Ni Xin (Chairperson)
Dr. Xu Qing
Ms. Zheng Jingjing

**Principal Share Registrar and
Transfer Agent**

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
KY1-1102
Cayman Islands

Hong Kong Share Registrar

**Computershare Hong Kong Investor
Services Limited**
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Compliance Adviser

Red Solar Capital Limited
Unit 402B
4/F, China Insurance Group Building
No. 141 Des Voeux Road Central
Central
Hong Kong

Principal Bank

**The Hongkong and Shanghai Banking
Corporation**
1 Queen's Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED

The following were the Directors of our Company as of the Latest Practicable Date:

Existing Directors^{Note}

Name	Address	Nationality
Executive Director		
Mr. Weng Chengyi (翁承毅)	Room 501-02, Building 6 Lane 690, Bibo Road Pudong New Area, Shanghai PRC	Chinese
Non-executive Directors		
Mr. Yu Tieming (于鐵銘)	Room 301, Unit 2, Building 19 No. 138 Courtyard, Chengshousi Road Chaoyang District, Beijing PRC	Chinese
Mr. Liu Yi (劉逸)	Room 1102, Unit 8 Lane 666, Huiheng Road Qingpu District, Shanghai PRC	Chinese
Independent non-executive Directors		
Mr. Fung Edwin (馮冠豪)	Room 1203, Unit 2, Building 1 Jinyuewan Garden No. 199 East Jinhe Road Hongqi Town Jinwan District, Zhuhai Guangdong Province PRC	Chinese (Hong Kong)
Mr. Chen Wen (陳文)	Room 201, Building 19 Tianlin Ba Cun No. 486 Liuzhou Road Xuhui District, Shanghai PRC	American
Ms. Cui Bai (崔白)	Room 1402, Lane 2 No. 669 Zhongshan West Road Changning District, Shanghai PRC	Chinese

Note: Save for Mr. Yu Tieming (于鐵銘), all existing Directors will resign with effect immediately preceding the Merger Effective Time.

DIRECTORS AND PARTIES INVOLVED

The following are the Directors of our Company immediately following the Merger Closing. The appointment or re-appointment of the Proposed Directors (other than the Remaining Director) will become effective immediately upon the Merger Closing.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ni Xin (倪昕)	Flat D, 8/F Enchantee 247 Tai Kok Tsui Road Kowloon Hong Kong	Chinese (Hong Kong)
Ms. Zhai Jing (翟婧)	Danling Talent Apartment 712 Lingshi Road Jing'an District, Shanghai PRC	Chinese
Non-executive Directors		
Dr. David Guowei Wang	45 DOGWOOD DR. APT 106, NASHUA NH 03062 United States	American
Mr. Yu Tieming (于鐵銘)	Room 301, Unit 2, Building 19 No. 138 Courtyard, Chengshousi Road Chaoyang District, Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED

Independent Non-executive Directors

Dr. Xu Qing (許慶)	No. 777, Guoding Road Yangpu District, Shanghai PRC	Chinese
Mr. Chen Wen (陳文)	Room 201, Building 19 Tianlin Ba Cun No. 486 Liuzhou Road Xuhui District, Shanghai PRC	American
Ms. Zheng Jingjing (鄭晶晶)	Room 1202, Building 3 Lane 95, Dongyu Road Pudong New Area, Shanghai PRC	Chinese

For further information regarding our Directors immediately following the Merger Closing, see “Proposed Directors and Senior Management of the Enlarged Group.”

DIRECTORS AND PARTIES INVOLVED

PARTIES INVOLVED

Joint Sponsors to the New Listing Application

Morgan Stanley Asia Limited

Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

Independent Financial Adviser

Somerley Capital Limited

20/F, China Building
29 Queen's Road Central
Hong Kong

Financial Adviser to the Target

Quam Capital Limited

5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Advisers to the Target

As to Hong Kong law:

Kirkland & Ellis

26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

As to Cayman Islands law:

Conyers Dill & Pearman

29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED

Legal Advisers to the Company

As to Hong Kong law:

Haiwen & Partners LLP

Suites 1101-1104, 11/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:

Haiwen & Partners

20/F, Fortune Financial Centre
5 Dong San Huan Central Road
Chaoyang District, Beijing
PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

26th Floor
Central Plaza
18 Harbour Road Wanchai
Hong Kong

Legal Advisers to the Joint Sponsors

As to Hong Kong law:

Cleary Gottlieb Steen & Hamilton (Hong Kong)

37th Floor, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

As to PRC law:

Commerce & Finance Law Offices

12-15th Floor
China World Office 2
No. 1 Jian Guo Men Wai Avenue
Chaoyang District, Beijing
PRC

**Reporting Accountant to the Target
and the Company**

Ernst & Young

Certified Public Accountants

**Auditor of the Company (for the
year ended 31 December 2024 and
six months ended 30 June 2025)
and the Enlarged Group**

Registered Public Interest Entity Auditor

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED

**Auditor and Reporting Accountant
to the Company (for the years
ended 31 December 2022 and
2023)**

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.**
2504 Wheelock Square
1717 Nanjing West Road
Jing'an District, Shanghai 200040
PRC

LETTER FROM THE BOARD



GENOR BIOPHARMA HOLDINGS LIMITED

嘉和生物藥業(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6998)

Executive Director:

Mr. Weng Chengyi (*Chief Financial Officer*)

Non-executive Directors:

Mr. Yu Tieming

Mr. Liu Yi

Independent non-executive Directors:

Mr. Fung Edwin

Mr. Chen Wen

Ms. Cui Bai

Registered office:

Maples Corporate Services Limited,

PO Box 309,

Ugland House,

Grand Cayman, KY1-1104,

Cayman Islands

*Head office and principal place of business
in the PRC:*

Room 501-02, Building 6

690 Bibo Road

Pudong New District, Shanghai

PRC

Principal place of business in Hong Kong:

Room 1920, 19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

5 December 2025

To the Shareholders

Dear Sir or Madam,

- (1) **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION –
PROPOSED MERGER BETWEEN THE MERGER SUB AND
THE TARGET INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE;**
- (2) **REVERSE TAKEOVER INVOLVING THE NEW LISTING APPLICATION;**
- (3) **APPLICATION FOR WHITEWASH WAIVER;**
- (4) **SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF
THE SHAREHOLDER PERSONNEL;**
- (5) **PROPOSED CHANGE OF COMPANY NAME;**
- (6) **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY;**
- (7) **PROPOSED ADOPTION OF THE ONE-OFF SHARE OPTION PLAN;**
- AND**
- (8) **NOTICE OF EGM**

LETTER FROM THE BOARD

Reference is made to (i) the Announcement dated 7 October 2024 in relation to, among other things, the Proposed Merger, the New Listing Application, the Whitewash Waiver, the Retention Plan of the Shareholder Personnel, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company and the proposed adoption of the One-off Share Option Plan; and (ii) the announcement of the Company dated 24 January 2025 in relation to, among other things, the extension of the New Listing Application Deadline and the Long Stop Date pursuant to the Amendment Agreement.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information on the Shareholders' Approval Matters of the Company and other information as required to be disclosed under the Listing Rules and the Takeovers Code; (ii) details of the Whitewash Waiver; (iii) the recommendation of the Listing Rules IBC to the Independent Shareholders in relation to the Retention Plan of Mr. Weng; (iv) the recommendation of the Takeovers Code IBC to the Independent Shareholders in relation to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel; (v) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in relation to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel (including the Retention Plan of Mr. Weng); (vi) a notice of the EGM; and (vii) a form of proxy.

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PROPOSED MERGER BETWEEN THE MERGER SUB AND THE TARGET INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

The Merger Agreement

On 13 September 2024 (before trading hours), the Company, the Target and the Merger Sub (a wholly-owned subsidiary of the Company) entered into the Merger Agreement. Subject to the terms and conditions in the Merger Agreement and in accordance with the Cayman Companies Act, the Company will acquire the Target by way of merger whereby, at the Merger Effective Time, the Merger Sub will be merged with and into the Target, with the Target as the surviving entity and becoming a wholly-owned subsidiary of the Company, and in consideration therefor, the Company will allot and issue Consideration Shares to the Target Shareholders.

THE PROPOSED MERGER

The Proposed Merger will be implemented as follows:

- (1) subject to the terms and conditions in the Merger Agreement, upon the Unconditional Date (or on such later date as agreed by the Company and the Target in writing), the Company shall procure the Merger Sub, and the Merger Sub and the Target shall execute and file with the Cayman Registrar the Plan of Merger and such other documents as required to give effect to the Proposed Merger under the Cayman Companies Act and other applicable laws;

LETTER FROM THE BOARD

- (2) subject to the terms and conditions in the Merger Agreement, at the Merger Effective Time, (i) the Merger Sub will be merged with and into the Target, following which separate existence of the Merger Sub will cease and the Target will continue as the surviving company and become a wholly-owned subsidiary of the Company, and (ii) all the assets, rights, powers, privileges, immunities, obligations, liabilities, duties and undertakings of the Merger Sub will be vested in or assumed by the Target;
- (3) pursuant to the Merger Agreement, at the Merger Effective Time, all Directors in office immediately before the Merger Effective Time (except for the Remaining Director) will resign (which shall take effect no later than the Merger Effective Time), and the Board, upon appointment of the new Directors to be designated by the Target (details of which are set out in the section headed “Proposed Changes to the Board upon the Merger Closing” in this letter) at the Merger Effective Time, will comprise seven (7) Directors; and
- (4) immediately following the Merger Effective Time, each issued and outstanding ordinary share of the Merger Sub immediately prior to the Merger Effective Time shall be automatically converted into one validly issued and fully paid ordinary share of the Target (such ordinary share of the Target shall constitute the only issued and outstanding share in the share capital of the Target) and be held by the Company.

Merger consideration

At the Merger Effective Time, the Merger consideration received by each Target Shareholder is as follows:

- (a) ***Target Shareholders other than (i) the Taxable Target Shareholders and (ii) the Target Controlling Shareholders.*** Each issued and outstanding Target Share held by the Target Shareholders (other than the Taxable Target Shareholders and the Target Controlling Shareholders) immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares calculated based on the Share Exchange Ratio.
- (b) ***Taxable Target Shareholders.*** With respect to the Taxable Target Shareholders, their receipt of the Consideration Shares may trigger certain taxes payable under Tax Circular 7 in the PRC. To fully comply with the requirements under the PRC law, under the Merger Agreement, the Company shall withhold and pay or arrange for payment of such taxes payable by the Taxable Target Shareholders to the relevant PRC tax authority after the Merger Closing. Accordingly, each issued and outstanding Target Share held by the Taxable Target Shareholders immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares equal to (i) the product of the total number of Target Shares held by the Taxable Target Shareholders immediately prior to the Merger Effective

LETTER FROM THE BOARD

Time *multiplied* by the Share Exchange Ratio *minus* (ii) the Tax Circular 7 Withholding Shares. With respect to any Taxable Target Shareholder, if the number of Tax Circular 7 Withholding Shares exceeds the number of Tax Circular 7 Deductible Shares (such difference being the “**Tax Circular 7 Surfeit Shares**”), the Company shall, within ten (10) Business Days following provision of the tax payment certificate (which will be issued by the relevant PRC tax authority after full payment of the taxes payable by the relevant Taxable Target Shareholder) by the Company to such Taxable Target Shareholder, issue such number of newly issued and fully paid Shares equal to the number of the Tax Circular 7 Surfeit Shares to such Taxable Target Shareholder.

- (c) **Target Controlling Shareholders.** Each issued and outstanding Target Share held by the Target Controlling Shareholders immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares equal to (i) the product of the total number of Target Shares held by the Target Controlling Shareholders immediately prior to the Merger Effective Time *multiplied* by the Share Exchange Ratio *minus* (ii) the quotient of the total outstanding principal amount of the Loans and all unpaid interest accrued thereon (if any) as at the date immediately preceding the Merger Closing Date divided by the Price Per Company Share.

The Loans in an aggregate outstanding principal amount of US\$30,444,876.09 or its HKD equivalent were made by the Target Group to Mr. Ni in 2023 (the “**Loans**”). As at the Latest Practicable Date, the total outstanding principal amount of the Loans and all unpaid interest accrued thereon amounted to US\$34,130,009.87.

No fraction of a Share will be issued. Any Target Shareholder who would otherwise be entitled to a fraction of a Share shall instead receive the number of Shares rounded up to the nearest whole Share.

Any Target Share held by the Target or its direct or indirect subsidiaries immediately prior to the Merger Effective Time shall be automatically cancelled and cease to exist, and shall not be converted into any Consideration Share nor any form of consideration.

LETTER FROM THE BOARD

Share Exchange Ratio

The Share Exchange Ratio shall be calculated in accordance with the following formula:

$$\frac{\text{Price Per Target Share}}{\text{Price Per Company Share}}$$

The Price Per Target Share shall be the quotient of the Target Equity Value (being US\$677,000,000) divided by the Target Fully-Diluted Shares. The Target Equity Value was determined through arm's length negotiations between the Company and the Target, with consideration of the financial multiples of closely comparable listed companies (the “**Close Comparables**”) in the pharmaceutical industry covering research, development, and commercialisation of promising therapeutics (the “**pharmaceutical business**”) and whose shares were listed on major exchanges, such as the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Exchanges and Clearing Limited, with EV/EBITDA and P/E ratios available at the time of valuation.

In order to enhance the comparability, the list of comparables was further filtered based on the following factors: (A) included only companies that (i) had the ability to continue as a going concern; (ii) had more than 50% of its revenue generated from pharmaceutical business; and (iii) possessed a business model, focus and capability closest to that of the Target Group, and (B) excluded companies with long-term trading suspensions and significant financial issues. Based on the foregoing selection criteria and filters, the Company determined Hansoh Pharmaceutical Group Company Limited (SEHK:3692), China Medical System Holdings Limited (SEHK:867) and CSPC Pharmaceutical Group Limited (SEHK:1093) to be the Close Comparables. The Company and the Target considered the Close Comparables represented the exhaustive list based on the said selection criteria as they have the following attributes which coincide with those of the Target:

- (a) Hansoh Pharmaceutical Group Company Limited (SEHK:3692) is a leading innovative pharmaceutical company with a comprehensive business model that includes integrated R&D, manufacturing, and sales where the Target shares a similar business approach. It focuses mainly on the fields of oncology, anti-infectives, CNS diseases, metabolic diseases, as well as autoimmune diseases, in which the Target shares the same focus in anti-infectives.
- (b) China Medical System Holdings Limited (SEHK:867) is a platform company linking pharmaceutical innovation and commercialisation with strong product lifecycle management capability, in which it has collaborated extensively with global innovation forces, similar to the Target's evolution into an integrated biopharmaceutical company through years of collaboration with MNCs and biotechnology companies. CMS focuses on several therapeutic fields, including cardio-cerebrovascular, gastrointestinal, central nervous system, dermatology, ophthalmology and pediatrics etc., in which the Target shares the same focus in cardiovascular. Further, it shares similarities with the Target with its mature

LETTER FROM THE BOARD

commercialisation platform, thus sharing similar market environments, operational challenges, and competitiveness in the market, making its financial performance and metrics more directly comparable.

- (c) CSPC Pharmaceutical Group Limited (SEHK:1093) is comparable from a business model perspective as an innovative-driven pharmaceutical enterprise with integrated R&D, manufacturing and sales capabilities. Further, in terms of therapeutics areas, it involves in the sales of finished drugs in nervous system, oncology, anti-infectives, cardiovascular, respiratory system, digestion and metabolism, and others, of which the three therapeutic areas that the Target focuses on are covered.

Financial multiples of Close Comparables

Set out below are the EV/EBITDA Ratios and P/E Ratios of the Close Comparables with reference to their respective financial information for the 12 months from 1 July 2023 to 30 June 2024 retrieved from publicly available information:

Close Comparables (stock code ⁶)	Business Description	% of Revenue Contribution in the Pharmaceutical Businesses ²	Market Capitalisation ⁴ (USD million)	EV/ EBITDA ^{3 and 5}	P/E ^{3 and 4}
China Medical System Holdings Limited (SEHK:867)	China Medical System Holdings Limited, an investment holding company, manufactures, sells, markets, and promotes pharmaceutical products in the PRC.	100.00%	2,206	5.92	11.53
Hansoh Pharmaceutical Group Company Limited (SEHK:3692)	Hansoh Pharmaceutical Group Company Limited, an investment holding company, engages in the research, development, manufacture, and sale of pharmaceutical products in the PRC.	100.00%	15,161	19.08	23.37

LETTER FROM THE BOARD

Close Comparables (stock code ⁶)	Business Description	% of Revenue Contribution in the Pharmaceutical Businesses ²	Market Capitalisation ⁴ (USD million)	EV/ EBITDA ^{3 and 5}	P/E ^{3 and 4}
CSPC Pharmaceutical Group Limited (SEHK:1093)	CSPC Pharmaceutical Group Limited, an investment holding company, engages in the research and development, manufacture, and sale of pharmaceutical products in the PRC, other Asian regions, North America, Europe, and internationally.	94%	7,265	5.40	8.91

Notes:

1. The Close Comparables were sourced from Capital IQ and their respective financial reports.
2. Percentage of revenue contribution is based on data for the past 12 months prior to 30 June 2024 from financial reports of the Close Comparables.
3. EBITDA and net income are based on data for the past 12 months prior to 30 June 2024 from financial reports of the Close Comparables.
4. The market values are based on the closing price of the Close Comparables as at 31 August 2024 (the “**Benchmark Date**”) in USD as retrieved from Capital IQ.
5. Enterprise Value (“**EV**”) is calculated as the sum of market capitalisation, net debt (total debt minus excess cash and short-term investments), preferred shares, and minority interest.
6. SEHK: Hong Kong Stock Exchange.

To summarise, the EV/EBITDA Ratio and P/E Ratio of the Close Comparables were as follows:

	EV/EBITDA Ratio	P/E Ratio
Highest	19.08	23.37
Lowest	5.40	8.91
Mean	10.13	14.60
Median	5.92	11.53

LETTER FROM THE BOARD

The EV/EBITDA and P/E ratios were jointly used for comparison for the following reasons: (i) pharmaceutical industry is capital intensive, the EV/EBITDA ratio eliminates the difference in capital structure and related risk features by including the debt component in valuation analysis; and (ii) the P/E ratio reflects the profitability of a company and how much the market is willing to pay for the company's earnings; and (iii) the earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings of the Target are available for historical period and assumed to be sustainable in the future.

In determining the Target Equity Value, the following factors were considered:

- (i) the Target's historical financial performance, including its revenue and profit. The Target Group's revenue was RMB2,073.8 million and RMB2,303.8 million for the years ended 31 December 2022 and 2023, respectively. The Target Group recorded net profit of RMB306.3 million and RMB308.0 million for the year ended 31 December 2022 and 2023, respectively;
- (ii) the Target's product portfolio, which comprises six major products, including three commercialised originator-branded products (namely, Vancocin, Ceclor and FPN) and three key patented drug products (Vascepa, Mulpleta and Entinostat). For instance, Vancocin, as the originator-branded product of vancomycin, is a dominant player in the treatment of methicillin-resistant *Staphylococcus aureus* infections. The Target Group's sales of Vancocin amounted to RMB1,007.1 million in 2022 and RMB1,068.8 million in 2023, respectively. Meanwhile, the Target Group's sales of Ceclor amounted to RMB759.3 million in 2022 and RMB835.7 million in 2023, respectively;
- (iii) the Target's complete product supply chain quality management platform and drug commercialisation platform, its prospects and growth potential. As advised by the Target, the Target Group (as the marketing authorisation holder) manufactures Ceclor and FPN in-house and oversees and manages the entire supply chain for Vancocin and Mulpleta. In January 2024, the Target Group obtained manufacturing approval for FPN at its nebulizer manufacturing facility in Suzhou, pursuant to a four-year technology transfer from GSK's manufacturing facility in Australia. Through this successful technology transfer, the Target Group not only lowered cost of manufacturing FPN by nearly 40%, but also gained a comprehensive global-standard technology platform for complex nebulization formulation production;
- (iv) the factors set out in the section headed "Reasons for and Benefits of the Proposed Merger" in this letter. One product example is the Target Group's Jing Zhu Da, which is an HDAC inhibitor indicated for the treatment of HR+/HER2- locally advanced or metastatic breast cancer and is expected to create strong synergies from a commercialisation perspective with GB491, one of the Group's key assets, also for the treatment of HR+/HER2- locally advanced or metastatic breast cancer. Hence, with the Target Group's established sales and distribution network, and an advanced and comprehensive manufacturing system, the Board is of the view that the Proposed Merger, if materialized, will significantly enhance the commercialisation success of existing and future commercialized drugs;

LETTER FROM THE BOARD

- (v) the implied EV/EBITDA Ratio and P/E Ratio of the Target of 5.14 times and 10.97 times (based on the net profit of the Target Group for the trailing twelve months period prior to 30 June 2024), respectively, as reflected by the Target Equity Value. The aforesaid implied ratios are comparable to the values of the Close Comparables set out above; and
- (vi) the Series D+ Financing and the Series E Financing of the Target Company (details of which are set out in the paragraphs headed “Series D+ Financing” and “Series E Financing” in the section headed “History, Development and Corporate Structure of the Target Group” of this circular), including (a) the then post-investment valuation of the Target after the Series D+ Financing, which was estimated by the Target to be approximately US\$520 million, and (b) the Series E Financing of the Target, during which 24,647,325 series E ordinary shares of Eddingpharm Cayman (representing 123,236,625 Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision) was subscribed for at a total consideration of US\$140 million, reflecting the then post-investment valuation of the Target of approximately US\$660 million. Given that, as confirmed by the Target Company, (i) the Series D+ Financing and the Series E Financing were the latest rounds of equity investment by external institutional investors into the Target Group, (ii) the Series D+ investor and the majority of the Series E investors remained the shareholders of the Target Company; (iii) the financial performance of the Target Group, in terms of its revenue and gross profit, has demonstrated improvement in the years ended 31 December 2022 to the year ended 31 December 2023, thus forming a legitimate basis for the abovementioned post-investment valuation of the Target Group; and (iv) the Target Company required approval by its shareholders to conduct the Proposed Merger and such valuation, reflecting latest rounds of equity investment by external institutional investors, was important for their support, the Company considered that it is fair and reasonable to take into account the valuation of the Series D+ Financing and the Series E Financing of the Target Company as one of the factors when determining the Target Equity Value.

The Price Per Company Share shall be the quotient of the Company Equity Value (being US\$197,330,401.57) divided by the Company Fully-Diluted Shares. The Company Equity Value was determined based on the market capitalisation of the Company on the Last Trading Day, the final Net Cash Balance of the Company and the Company’s current portfolio of drug candidates and the development stage thereof.

On the Last Trading Day (being the last trading day immediately before the signing of the Merger Agreement), the market capitalisation of the Company was approximately HK\$858 million, equivalent to approximately US\$110 million. As the Company is required to submit the New Listing Application, the Company and the Target expected a long Transitional Period ahead, in order to better reflect the value of the Company and considering the capital-intensive nature of the Company’s business, the Company and the Target further agreed to take into account the final Net Cash Balance and the Company’s drug products and their development stages when determining the Company Equity Value.

LETTER FROM THE BOARD

At or around the signing of the Merger Agreement, the Company had submitted or was in the process of submitting new drug applications for multiple drug products. For instance, in March 2023 and March 2024, the Company submitted, and the China National Medical Products Administration officially accepted, the new drug application of GB491 in combination with Fulvestrant and in combination with Letrozole, respectively, which were expected to be commercialised soon and shall be reflected in the equity value of the Group.

Further, based on the annual results of the Company for the year ended 31 December 2023, the Company also held cash and bank balances of approximately RMB1,165.5 million. Given the Group would continue to conduct its business in its ordinary and usual course during the Transitional Period and considering the Pre-Merger Closing undertakings in respect of the Group, the Company expected that the Net Cash Balance would be no less RMB712.5 million (equivalent to approximately US\$100 million). Pursuant to the Merger Agreement, it is agreed that the Net Cash Balance would be no less RMB712.5 million (equivalent to approximately US\$100 million). In light of the above, the parties agreed to set the Company Equity Value to US\$197.3 million. The Net Cash Balance, calculated based on the relevant figures of the Group as at 31 December 2024 pursuant to formula under the Merger Agreement, was RMB781.5 million.

Neither the Target Equity Value nor the Company Equity Value will be adjusted at the Merger Closing.

Presumed Maximum Share Exchange Ratio

For the purposes of this circular, assuming that, (A) the Loans (including the principal and all accrued interest) have been fully repaid by cash immediately preceding the Merger Closing Date; and (B) from the Latest Practicable Date up to and until the Merger Closing Date, (i) under the Company New Grant, the Company grants 1,000,000 share options and/or RSUs under the Pre-Existing Company Share Schemes which will remain outstanding immediately prior to the Merger Effective Time; (ii) there is no other change in the number of the outstanding share options and RSUs under the Pre-Existing Company Share Schemes and the Proposed Termination of 2023 Share Schemes takes effect immediately prior to the Merger Effective Time; (iii) there are 64,160,180 Target Share Options granted under the Target Share Option Scheme, among which 30,675,180 Target Share Options granted to Mr. Ni have been exercised and the other Target Share Options remain outstanding; and (iv) there is no other change in the issued Shares of the Company and the issued share capital of the Target, the Company Fully-Diluted Shares and the Target Fully-Diluted Shares are 548,872,215 and 569,175,859, respectively, and the Share Exchange Ratio is approximately 3.31 (the “**Presumed Maximum Share Exchange Ratio**”).

LETTER FROM THE BOARD

For the purposes of the Presumed Maximum Share Exchange Ratio, the number of Company Fully-Diluted Shares of 548,872,215 comprises (i) 528,291,792 Shares in issue; (ii) 15,114,957 outstanding share options and 3,045,010 unvested RSUs under the Pre-Existing Company Share Schemes; (iii) 1,000,000 share options and/or RSUs assumed as having been granted pursuant to the Company New Grant; and (iv) 1,420,456 Shares that are issuable pursuant to the ABT Subscription and Stock Purchase Agreement. For the purposes of the Presumed Maximum Share Exchange Ratio, the number of Target Fully-Diluted Shares of 569,175,859 comprises (i) 505,015,679 Target Shares issued and outstanding immediately prior to the Merger Effective Time; and (ii) 64,160,180 Target Share Options granted under the Target Share Option Scheme, with no Target Shares held in treasury.

The Presumed Maximum Share Exchange Ratio represents a reasonable estimate by the Company and the Target based on the assumptions set out above. The final Share Exchange Ratio will be determined with reference to the number of Company Fully-Diluted Shares and the number of Target Fully-Diluted Shares immediately prior to the Merger Effective Time, which is not expected to exceed the Presumed Maximum Share Exchange Ratio. No adjustment will be made after the final Share Exchange Ratio is determined pursuant to the terms and conditions of the Merger Agreement. The Company will make further announcement on the final Share Exchange Ratio on the Merger Closing Date upon the Merger Closing.

Consideration Shares and theoretical issue price

Assuming that (i) the number of issued Target Shares immediately prior to the Merger Effective Time will be 535,690,859 (comprising (a) 505,015,679 Target Shares in issue as at the Latest Practicable Date and (b) 30,675,180 Target Shares to be issued under the Target Share Options held by Mr. Ni which are assumed to have been exercised prior to the Merger Effective Time) which is then multiplied by the Presumed Maximum Share Exchange Ratio of 3.31 (after rounding down) pursuant to the formulae set out in the section headed “The Proposed Merger – Merger consideration” in this letter; (ii) there is no Taxable Target Shareholder; and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised, the Company will, for the purposes of the Proposed Merger, allot and issue a maximum of 1,773,136,744 Consideration Shares at the Merger Effective Time. The number of Consideration Shares to be allotted and issued represents:

- (a) approximately 335.64% of the issued Shares of the Company as at the Latest Practicable Date;
- (b) approximately 77.05% of the issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares immediately after the Merger Closing (assuming that (i) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, (ii) none of the Converted Options under the One-off Share Option Plan has been exercised, and (iii) there is no other change in the issued Shares of the Company and the issued share capital of the Target from the Latest Practicable Date up to and until the Merger Closing Date); and

LETTER FROM THE BOARD

- (c) approximately 72.88% of the issued Shares of the Company as enlarged by the allotment and issue of (i) the Consideration Shares, (ii) the Shares upon exercise and/or vesting of all outstanding share options and all RSUs under the Pre-Existing Company Share Schemes, (iii) the Shares upon exercise of all Converted Options under the One-off Share Option Plan, and (iv) the Shares that are issuable pursuant to the ABT Subscription and Stock Purchase Agreement (assuming that there is no other change in the issued Shares of the Company and the issued share capital of the Target from the Latest Practicable Date up to and until the Merger Closing Date).

Based on the Target Equity Value and 1,773,136,744 Consideration Shares, the theoretical issue price per Consideration Share is HK\$2.974, which represents:

- (a) a discount of approximately 10.69% to the closing price of HK\$3.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 80.24% over the closing price of HK\$1.650 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 101.49% over HK\$1.476 per Share, being the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (d) a premium of approximately 115.98% over HK\$1.377 per Share, being the average closing prices of the Shares as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day;
- (e) a premium of approximately 24.02% over the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$2.398 per Share as at 31 December 2024 and based on 528,291,792 Shares in issue as at the Latest Practicable Date; and
- (f) a premium of approximately 29.98% over the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$2.288 per Share as at 30 June 2025 and based on 528,291,792 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

Shareholding structure before and after the allotment and issue of Consideration Shares

Assuming there is no Taxable Target Shareholder

The table below illustrates the number of Consideration Shares to be issued to the Target Shareholders at the Merger Closing based on the Presumed Maximum Share Exchange Ratio and assuming (i) there is no Taxable Target Shareholder, (ii) there is no other change in the number of Target Shares held by each Target Shareholder from the Latest Practicable Date up to and until the Merger Closing Date, and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised:

Name of Target Shareholders	As at the Latest Practicable Date and immediately prior to the allotment and issue of Consideration Shares		Number of Consideration Shares to be issued to the Target Shareholders at the Merger Closing ⁽³⁾	Approximate percentage of shareholding in the Company immediately after the allotment and issue of the Consideration Shares
	<i>Approximate percentage of</i>	<i>Number of</i>		<i>shareholding</i>
	<i>Target Shares</i>	<i>Target Shares</i>		<i>in the Target</i>
Target Controlling Shareholders				
Mr. Ni ⁽¹⁾⁽²⁾	222,486,981	44.06%	837,966,754 ⁽⁴⁾	36.41%
Talent Creation	2,900,000	0.57%	9,599,000	0.42%
Chinapharm Group	2,850,000	0.56%	9,433,500	0.41%
Other minority Target Shareholders				
	7,113,865	1.41%	23,546,887	1.02%
Pre-RTO Investors				
HongShan Capital Growth Fund I, L.P.	27,125,840	5.37%	89,786,531	3.90%
HongShan Capital Growth Partners Fund I, L.P.	646,890	0.13%	2,141,206	0.09%
HongShan Capital GF Principals Fund I, L.P.	3,327,750	0.66%	11,014,853	0.48%
HongShan Capital I, L.P.	9,035,545	1.79%	29,907,654	1.30%
HongShan Capital Partners Fund I, L.P.	1,038,240	0.21%	3,436,575	0.15%
HongShan Capital Principals Fund I, L.P.	1,398,465	0.28%	4,628,920	0.20%

LETTER FROM THE BOARD

Name of Target Shareholders	As at the Latest Practicable Date and immediately prior to the allotment and issue of Consideration Shares		Number of Consideration Shares to be issued to the Target Shareholders at the Merger Closing ⁽³⁾	Approximate percentage of shareholding in the Company immediately after the allotment and issue of the Consideration Shares
	Approximate percentage of	Number of		
	Target Shares	shareholding in the Target		
HSG Growth V Holdco Q, Ltd.	12,304,741	2.44%	40,728,693	1.77%
OrbiMed Asia Partners, L.P.	37,715,912	7.47%	124,839,669	5.42%
OrbiMed Asia Partners III, L.P.	35,132,263	6.96%	116,287,791	5.05%
Domain Partners VIII, L.P.	29,025,390	5.75%	96,074,041	4.17%
DP VIII Associates, L.P.	215,375	0.04%	712,892	0.03%
Ms. Bao Wei	8,631,415	1.71%	28,569,984	1.24%
Pink Crystal China Fund, L.P.	45,731,029	9.06%	151,369,706	6.58%
Novel Insight Investments Limited	28,402,405	5.62%	94,011,961	4.08%
Novel Sky Global Limited	16,729,648	3.31%	55,375,135	2.41%
SPDBI Eagle Limited	13,203,925	2.61%	43,704,992	1.90%
Total	505,015,679	100%	1,773,136,744	77.05%

Notes:

- As at the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of Talent Creation and Chinapharm Group. Accordingly, each of Talent Creation and Chinapharm Group was presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. For completeness, all the other shareholders of Talent Creation and Chinapharm Group were current or former employees of the Target Group. In addition to Mr. Ni, Talent Creation had six shareholders and Chinapharm Group had nine shareholders.
- As at the Latest Practicable Date, each of Ms. Ni Yuan (倪苑), the sister of Mr. Ni, and Mr. Zhu Ronghai (朱容海), the spouse of Ms. Ni Yuan (倪苑), held 500,000 and 200,000 Target Share Options, respectively, which were granted to each of them on 10 June 2023. Each of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) is presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. Pursuant to the terms and conditions of the respective grant letters regarding these Target Share Options, these Target Share Options will vest and become exercisable in four instalments, with the first instalment vesting at any time during the period commencing from the first anniversary and ending on the second anniversary of the Merger Closing Date. Accordingly, no Consideration Shares will be allotted or issued to any of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) at the Merger Effective Time. Details of the One-off Share Option Plan are set out in the section headed “9. Share Schemes – 9.3 One-off Share Option Plan” in Appendix VI to this circular.

LETTER FROM THE BOARD

3. Please refer to shareholding table set out in the section headed “Effect of the Proposed Merger on the Shareholding Structure of the Company” in this letter for the relevant percentages of shareholding in the Company immediately after the allotment and issue of the Consideration Shares.
4. As at the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme. For the purposes of the Presumed Maximum Share Exchange Ratio, it was assumed that such Target Share Options to be having been exercised prior to the Merger Effective Time.

Assuming the number of each Taxable Target Shareholder’s Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares

The table below illustrates the number of Consideration Shares to be issued to the Target Shareholders at the Merger Closing based on the Presumed Maximum Share Exchange Ratio, taking into account the Taxable Target Shareholders and assuming (i) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares, (ii) there is no other change in the number of Target Shares held by each Target Shareholder from the Latest Practicable Date up to and until the Merger Closing Date, and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised:

Name of Target Shareholders	As at the Latest Practicable Date and immediately prior to the allotment and issue of Consideration Shares		Number of Consideration Shares to be issued to the Target Shareholders at the Merger Closing ⁽³⁾	Approximate percentage of shareholding in the Company immediately after the allotment and issue of the Consideration Shares
	Approximate percentage of			
	Number of shareholding in			
	Target Shares	the Target		
Target Controlling Shareholders				
Mr. Ni ⁽¹⁾⁽²⁾	222,486,981	44.06%	837,966,754 ⁽⁴⁾	37.89%
Talent Creation	2,900,000	0.57%	8,639,100	0.39%
Chinapharm Group	2,850,000	0.56%	8,490,150	0.38%
Other minority Target Shareholders	7,113,865	1.41%	21,837,645	0.99%
Pre-RTO Investors				
HongShan Capital Growth Fund I, L.P.	27,125,840	5.37%	80,807,878	3.65%
HongShan Capital Growth Partners Fund I, L.P.	646,890	0.13%	1,927,086	0.09%
HongShan Capital GF Principals Fund I, L.P.	3,327,750	0.66%	9,913,368	0.45%
HongShan Capital I, L.P.	9,035,545	1.79%	26,916,889	1.22%
HongShan Capital Partners Fund I, L.P.	1,038,240	0.21%	3,092,917	0.14%

LETTER FROM THE BOARD

Name of Target Shareholders	As at the Latest Practicable Date and immediately prior to the allotment and issue of the Consideration Shares		Number of Consideration Shares to be issued to the Target Shareholders at the Merger Closing ⁽³⁾		Approximate percentage of shareholding in the Company immediately after the allotment and issue of the Consideration Shares
	Consideration Shares	Approximate percentage of Number of shareholding in Target Shares the Target			
HongShan Capital Principals					
Fund I, L.P.	1,398,465	0.28%	4,166,028		0.19%
HSG Growth V Holdco Q, Ltd.	12,304,741	2.44%	36,655,824		1.66%
OrbiMed Asia Partners, L.P.	37,715,912	7.47%	112,355,702		5.08%
OrbiMed Asia Partners III, L.P.	35,132,263	6.96%	104,659,012		4.73%
Domain Partners VIII, L.P.	29,025,390	5.75%	86,466,637		3.91%
DP VIII Associates, L.P.	215,375	0.04%	641,603		0.03%
Ms. Bao Wei	8,631,415	1.71%	28,569,984		1.29%
Pink Crystal China Fund, L.P.	45,731,029	9.06%	136,232,736		6.16%
Novel Insight Investments Limited	28,402,405	5.62%	84,610,765		3.83%
Novel Sky Global Limited	16,729,648	3.31%	49,837,622		2.25%
SPDBI Eagle Limited	13,203,925	2.61%	39,334,493		1.78%
Total	505,015,679	100%	1,683,122,193		76.11%

Notes:

- As at the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of Talent Creation and Chinapharm Group. Accordingly, each of Talent Creation and Chinapharm Group was presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. For completeness, all the other shareholders of Talent Creation and Chinapharm Group were current or former employees of the Target Group. In addition to Mr. Ni, Talent Creation had six shareholders and Chinapharm Group had nine shareholders.
- As at the Latest Practicable Date, each of Ms. Ni Yuan (倪苑), the sister of Mr. Ni, and Mr. Zhu Ronghai (朱容海), the spouse of Ms. Ni Yuan (倪苑), held 500,000 and 200,000 Target Share Options, respectively, which were granted to each of them on 10 June 2023. Each of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) is presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. Pursuant to the terms and conditions of the respective grant letters regarding these Target Share Options, these Target Share Options will vest and become exercisable in four instalments, with the first instalment vesting at any time during the period commencing from the first anniversary and ending on the second anniversary of the Merger Closing Date. Accordingly, no Consideration Shares will be allotted or issued to any of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) at the Merger Effective Time. Details of the One-off Share Option Plan are set out in the section headed “9. Share Schemes – 9.3 One-off Share Option Plan” in Appendix VI to this circular.

LETTER FROM THE BOARD

3. Please refer to shareholding table set out in the section headed “Effect of the Proposed Merger on the Shareholding Structure of the Company” in this letter for the relevant percentages of shareholding in the Company immediately after the allotment and issue of the Consideration Shares.
4. As at the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme. For the purposes of the Presumed Maximum Share Exchange Ratio, it was assumed that such Target Share Options to be having been exercised prior to the Merger Effective Time.

The Consideration Shares will be allotted and issued under the Specific Mandate to be granted by the Shareholders at the EGM. The Consideration Shares, when allotted and issued, shall rank equally in all respects among themselves and with all the other Shares in issue as at the date of allotment and issue of the Consideration Shares including, in particular, as to dividends and other distributions, voting rights and return of capital.

Lock-up Period

Pursuant to the Target Controlling Shareholders Undertaking, the Target Controlling Shareholders have undertaken to the Company that, they shall not, and shall procure that the relevant registered Shareholder(s) not to, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Consideration Shares held by the Target Controlling Shareholders in the period commencing from the Merger Effective Time and ending on the date which is twelve (12) months after the Merger Closing Date (the “**Lock-up Period**”) (save for (i) using no more than 25% of the Consideration Shares beneficially owned by the Target Controlling Shareholders as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, and (ii) the deemed disposal of Shares by the Target Controlling Shareholders caused by the issuance of any Shares or securities by the Company during the Lock-up Period. Save for the foregoing, the Company is not aware of any restriction which applies to the subsequent sale of the Consideration Shares.

Share options under the Target Share Option Scheme

As at the Latest Practicable Date, the Target had adopted the Target Share Option Scheme, under which 64,160,180 Target Share Options had been granted and remained outstanding. Each Target Share Option issued and outstanding immediately prior to the Merger Effective Time shall, at the Merger Effective Time, be assumed by the Company and be automatically converted into share option entitling the holder thereof to subscribe for Shares pursuant to the One-off Share Option Plan (each Target Share Option so assumed and converted is a “**Converted Option**”), such that the Converted Option, upon exercise, shall entitle the holder to subscribe for such number of Shares equal to the product of (a) the number of Target Shares issuable pursuant to the outstanding Target Share Options held by such holder immediately prior to the Merger Effective Time *multiplied* by (b) the Share Exchange Ratio (such number of Shares shall be rounded up to the nearest whole Share). The exercise price for each Converted Option shall be equal to the quotient obtained by *dividing* (x) the exercise price of each Target Share Option by (y) the Share Exchange Ratio (such exercise price shall be rounded up to the nearest whole cent).

LETTER FROM THE BOARD

Subject to the passing of the resolution(s) relating to the Proposed Merger and adoption of the One-off Share Option Plan at the EGM, each issued and outstanding share option under the Target Share Option Scheme shall, at the Merger Effective Time, be automatically cancelled and lapse in exchange for such number of Converted Option under the One-off Share Option Plan.

Details of the One-off Share Option Plan are set out in the section headed “9. Share Schemes – 9.3 One-off Share Option Plan” in Appendix VI to this circular.

Merger Conditions Precedent

Merger Conditions Precedent in relation to the Company and the Target

The obligations of the Company and the Target to consummate, or cause to be consummated, the Proposed Merger are each subject to the satisfaction of the following Merger Conditions Precedent:

- (a) the Company having obtained approval(s) from the Shareholders in respect of the Shareholders’ Approval Matters of the Company (with the respective resolutions relating to the Whitewash Waiver and the Proposed Merger having been approved by at least 75% and more than 50% of the votes cast by the Independent Shareholders at the EGM, respectively), and such approval(s) remaining effective on the Merger Closing Date;
- (b) the Whitewash Waiver having been granted by the SFC, and the Whitewash Waiver remaining effective and not having been withdrawn or revoked on the Merger Closing Date, and all conditions attached to such Whitewash Waiver (if any) having been satisfied;
- (c) the Company having obtained (i) the “approval in principle” granted by the Listing Committee in relation to the New Listing Application, and (ii) the Rule 18A.10 Consent, such approval and consent not having been withdrawn or revoked, and all other consents or procedures required under the Listing Rules and the Takeovers Code (or waivers from the Stock Exchange and/or the SFC thereof) having been obtained or completed;
- (d) the Company having obtained the written approval from the Listing Committee, permitting the listing of and trading in the Consideration Shares on the Main Board of the Stock Exchange;
- (e) the Target Group having obtained the filing notice issued by the CSRC confirming that the Proposed Merger has been filed with the CSRC and such confirmation remaining effective on the Merger Closing Date; and
- (f) no government authority having promulgated, issued, implemented, promoted or enacted any laws or orders (whether temporary, preparatory or permanent in nature) that would declare the Proposed Merger or Merger Closing illegal, or that would have the effect of obstructing or prohibiting the Merger Closing from taking place.

LETTER FROM THE BOARD

None of the above Merger Conditions Precedent to the obligations of the Company and the Target is waivable by the Company or the Target. In relation to the Merger Condition Precedent (f) above, as at the Latest Practicable Date, no government authority had promulgated, issued, implemented, promoted or enacted any laws or orders (whether temporary, preparatory or permanent in nature) that would declare the Proposed Merger or Merger Closing illegal, or that would have the effect of obstructing or prohibiting the Merger Closing from taking place.

The Company has applied for the Rule 18A.10 Consent. Based on the reply from the Stock Exchange, the Merger Condition Precedent (c)(ii) above to obtain the Rule 18A.10 Consent was considered satisfied.

Additional Merger Conditions Precedent in relation to the Company

The obligations of the Target to consummate, or cause to be consummated, the Proposed Merger are subject to the satisfaction of, or waiver by the Target in writing of, the following additional Merger Conditions Precedent:

- (a) the representations and warranties made by the Company and the Merger Sub under the Merger Agreement remaining true and accurate in all aspects, except for immaterial errors or omissions with respect to certain representations and warranties (or remaining true and accurate in all material aspects with respect to the fundamental representations and warranties) on and as at the Merger Closing Date;
- (b) the final Net Cash Balance of the Company being not lower than RMB712,500,000;
- (c) the Board resolutions in respect of the Board Approval Matters of the Company remaining effective and not having been revoked or altered;
- (d) the Company having provided the Target with evidence to its reasonable satisfaction that (i) the resignation of each Director who is in office immediately preceding the Merger Effective Time (other than the Remaining Director) shall take effect no later than the Merger Effective Time, and (ii) the appointments of new Directors designated by the Target pursuant to the Merger Agreement shall take effect at the Merger Effective time;
- (e) during the Transitional Period, except for the temporary suspension of trading of Shares required for the consummation of the transactions contemplated under the Merger Agreement, (i) the Shares having been continuously listed and traded on the Main Board of the Stock Exchange, and (ii) there having been no government authority promulgating, issuing, implementing, promoting or enacting any government orders with the effects of (whether temporary, preparatory or permanent in nature) (1) terminating the listing of and trading in the Shares on the Main Board of the Stock Exchange or (2) suspending the trading of Shares on the Stock Exchange for five consecutive trading days or more;

LETTER FROM THE BOARD

- (f) the Group not having been subject to any actual or threatened litigation filed by any third party which may have a material adverse effect;
- (g) no material matter having occurred or been discovered which, if occurred or been discovered immediately prior to the date of this circular, would render any information contained in this circular (including any supplement or amendment thereto) untrue, inaccurate, incomplete and/or omission of which would render any statements or information contained in this circular misleading; and
- (h) the Company having fulfilled all its undertakings and obligations under the Merger Agreement in all material aspects on or before the Merger Closing Date.

Additional Merger Conditions Precedent in relation to the Target

The obligations of the Company to consummate, or cause to be consummated, the Proposed Merger are subject to the satisfaction of, or waiver by the Company in writing of, the following additional Merger Conditions Precedent:

- (a) the representations and warranties made by the Target under the Merger Agreement remaining true and accurate in all aspects, except for immaterial errors or omissions with respect to certain representations and warranties, (or remaining true and accurate in all material aspects with respect to the fundamental representations and warranties) on and as at the Merger Closing Date;
- (b) the Target Group not having been subject to any actual or threatened litigation filed by any third party which may have a material adverse effect;
- (c) approvals from the Target's board of directors and the Target Shareholders in connection with the Proposed Merger remaining effective on the Merger Closing Date and not having been revoked or altered;
- (d) the Target having fulfilled all its undertakings and obligations under the Merger Agreement in all material aspects on or before the Merger Closing Date; and
- (e) no material matter having occurred or been discovered which, if occurred or been discovered immediately prior to the date of this circular, would render any information contained in this circular (including any supplement or amendment thereto) untrue, inaccurate, incomplete and/or omission of which would render any statements or information contained in this circular misleading.

As at the Latest Practicable Date, save as disclosed in this section, none of the above Merger Conditions Precedent had been satisfied or waived (if applicable).

LETTER FROM THE BOARD

Pre-Merger Closing undertakings

During the Transitional Period, unless otherwise required by the Stock Exchange, the SFC and/or any applicable law, (i) the Company shall (and shall procure its subsidiaries to) operate its businesses strictly in accordance with the terms of reference of the Joint Steering Committee, and the business and operation plan to be prepared by the Company in accordance with the Merger Agreement; (ii) each of the Company and the Target shall (and shall procure its subsidiaries to) strictly comply with, and perform the obligations under, the CDK4/6i Outsourcing Management Agreement, (iii) each of the Company and the Target shall (and shall procure its subsidiaries to) use its commercially reasonable efforts to preserve in all material aspects the business and operational relationships between the Group or the Target Group (as the case may be) on the one hand and its suppliers, customers and other third parties that have business relationships with and are of great significance to the Group or the Target Group (as the case may be) taken as a whole on the other hand, and (iv) each of the Company and the Target shall (and shall procure its subsidiaries to) preserve intact its business organisations and goodwill in all material aspects.

Additional pre-Merger Closing undertakings of the Company

During the Transitional Period, the Company shall not (and shall procure each Group Company not to) without the Target's prior written consent, among other things, do any of the following:

- (a) (i) issue any equity securities by the Company or sell any Company's equity securities by the Company (save for any grant of share options and/or RSUs under the Pre-Existing Company Share Schemes during the Transitional Period which would result in the issue of no more than 1,000,000 Shares upon vesting and/or exercise of such share options and/or RSUs) (the "**Company New Grant**"); (ii) transfer, issue, sell, grant, pledge or otherwise dispose of any Group Company's equity securities by any Group Company; or (iii) issue, deliver or sell any options, warrants, conversion rights, or other rights, agreements, arrangements or commitment obligations that are linked to its equity securities, except for the issue of new Shares upon the vesting or exercise of share options or RSUs granted prior to the date of the Merger Agreement pursuant to the Pre-Existing Company Share Schemes;
- (b) (i) take any of the following actions relating to any intellectual properties with respect to CDK4/6i or any other material intellectual properties owned by the Group: (A) sell, transfer, or otherwise dispose of its ownership; (B) license or sublicense; or (C) impose any encumbrances on the intellectual properties (unless otherwise agreed in the Merger Agreement); or (ii) enter into any contract that restricts any Group Company (including the Target Group with effect from the Merger Effective Date) from conducting any activities relating to CDK4/6i or any intellectual property with respect to CDK4/6i;
- (c) sell, lease, sublease, authorise, transfer, abandon, allow to lapse or otherwise dispose of any assets exceeding RMB1,000,000 in any single transaction or series of related transactions;

LETTER FROM THE BOARD

- (d) effect or initiate any liquidation, dissolution, winding-up, debt restructuring, merger by absorption, merger, consolidation, restructuring, reorganisation, change of control or any similar transactions or arrangements involving any Group Company;
- (e) authorise, make any provision for or incur any capital expenditures or obligations or liabilities exceeding RMB1,000,000 in connection therewith, and any other form of management of any Group Company's working capital outside the ordinary course of business (including settlement arrangements of any amounts due);
- (f) incur, assume, guarantee, repurchase or otherwise assume any liabilities or obligations exceeding RMB1,000,000 (except for the Company Transaction Fee), or issue or sell any debt securities, or any options, warrants or any other rights allowing the holder thereof to subscribe for any debt securities of any Group Company;
- (g) make any loans or capital contributions to, or make any investment in (including by way of merger by absorption, merger or acquisition of equity securities or assets), any person exceeding RMB1,000,000; and
- (h) declare or reserve any dividend or other distribution payable in cash, shares, property or otherwise with respect to any equity security of the Company or any of its subsidiaries, or set a record date for such dividend or distribution.

Additional pre-Merger Closing undertakings of the Target

During the Transitional Period, the Target shall not (and shall procure each Target Group Company not to) without the Company's prior written consent, among other things, do any of the following:

- (a) (i) transfer, issue, sell, grant, pledge or otherwise dispose of any equity securities representing more than 5% of the share capital of any Target Group Company (for the avoidance of doubt, except for the pledge of ordinary Target Shares directly or indirectly held by Target Controlling Shareholders); or (ii) issue, deliver or sell any options, warrants, conversion rights, or other rights, agreements, arrangements or commitment obligations by any Target Group Company that are linked to its equity securities, except for the grant of additional share options under the Target Share Option Scheme or the issue of new ordinary shares of the Target upon the vesting or exercise of share options granted prior to the date of the Merger Agreement pursuant to the Target Share Option Scheme;
- (b) sell, lease, sublease, authorise, transfer, waive, allow to lapse or otherwise dispose of any assets related to the core products of the Target Group (including relevant intellectual property and properties owned by the Target Group) to any person other than any Target Group Company;
- (c) effect or initiate any liquidation, dissolution, winding-up, merger by absorption, consolidation, restructuring, change of control or any similar transactions or arrangements involving any Target Group Company;

LETTER FROM THE BOARD

- (d) incur, assume, guarantee, repurchase or otherwise assume any liabilities or obligations exceeding RMB100,000,000 (except for the Target Transaction Fee), or issue or sell any debt securities exceeding RMB100,000,000, or issue or sell any option, warrant or any other right allowing the holder thereof to subscribe for any debt securities of any Target Group Company that exceeds RMB100,000,000, except for any substitution of creditors within the debt financing scale of the Target Group as at 30 June 2024; and
- (e) make any loans or capital contributions to, or make any investment in (including by way of merger by absorption, merger or acquisition of equity securities or assets), any other person exceeding RMB30,000,000.

Establishment of the Joint Steering Committee

Pursuant to the Merger Agreement, the Company shall establish the Joint Steering Committee to facilitate the implementation of the Proposed Merger and improvement of the Company's governance structure. The Joint Steering Committee was established on 4 October 2024.

A summary of the terms of reference of the Joint Steering Committee is set out below:

- (a) **Composition.** The Joint Steering Committee shall comprise four (4) members, two (2) of whom shall be nominated by the Company (the “**Company’s JSC Representatives**”) and two (2) of whom shall be nominated by the Target (the “**Target’s JSC Representatives**”).
- (b) **Duties and responsibilities.** The duties and responsibilities of the Joint Steering Committee include:
 - (i) reviewing the strategic development plan of the Group, including reviewing and approving the Company's business and operation plan (and any revisions, changes or exemptions thereof) prepared by the Company in accordance with the Merger Agreement;
 - (ii) reviewing and approving the reserved matters set out in paragraph (f) below;
 - (iii) reviewing and approving the appointment and removal of any senior executive of any Group Company, and the formulation of and adjustment to any of their remuneration packages (save for the remuneration packages of the Shareholder Personnel, which shall remain unchanged during the Transitional Period);
 - (iv) reviewing the progress of the Proposed Merger and the implementations of relevant matters; and
 - (v) any other matters as authorised by the Board.

LETTER FROM THE BOARD

- (c) **Meetings.** Members of the Joint Steering Committee shall hold a meeting at least once in every two weeks. Members can attend the meetings by himself/herself or, upon giving prior notifications to all other members, by his/her authorised representative.
- (d) **Quorum.** Save as disclosed below, the quorum for meetings of the Joint Steering Committee shall be four (4) members, of whom at least two (2) shall be the Company's JSC Representatives and at least two (2) shall be the Target's JSC Representatives.

If notice of a meeting has been duly served on the members in accordance with the terms of reference of the Joint Steering Committee, but a quorum is not present for holding such meeting because either all of the Company's JSC Representatives or all of the Target's JSC Representatives are absent from the meeting (in either case, the "**Absent Representatives**"), such meeting shall stand adjourned to (i) another date and time agreed upon by all members of the Joint Steering Committee, or (ii) if no such consensus can be reached, the third (3rd) Business Day following the original meeting date. If all Absent Representatives are absent from the adjourned meeting, and all representatives appointed by the other party (being either all of the Company's JSC Representatives or all of the Target's JSC Representatives (as the case may be)) are present at both the original meeting and the adjourned meeting, the members present at the adjourned meeting shall be a quorum (the "**Adjourned Meeting Quorum**") and can consider and vote in respect of the matters for which the meeting was called in accordance with the terms of reference of the Joint Steering Committee.

- (e) **Voting.** Each member shall have one (1) vote. Subject to the reserved matters set out in paragraph (f) below, all matters tabled at the meeting of the Joint Steering Committee shall be approved by a majority of members present and voting at the relevant meeting.
- (f) **Reserved matters.** The following matters shall be approved by all members of the Joint Steering Committee present and voting at the relevant meeting:
 - (i) any liabilities or expenditures (including capital expenditures) incurred by the Group exceeding RMB1,000,000 (or its equivalent in foreign currency) for a single transaction that are not set out in the Company's operation plan or that exceed the budget set out therein; and
 - (ii) the entering into of, amendment to, or termination of (other than expiration in accordance with the terms thereof), any material contract of the Company, or waiver of any rights or interests thereunder with a value exceeding RMB1,000,000 (or its equivalent foreign currency).
- (g) **Deadlock.** In the event that no resolution is reached in respect of any matter tabled at two consecutive Joint Steering Committee meetings, such matter shall be referred to the Board for consideration and approval.

LETTER FROM THE BOARD

- (h) **Exceptions.** Matter falling under certain exceptions expressly set out in the Merger Agreement or with respect to which the Company has obtained the Target's prior written consent in accordance with the Merger Agreement do not have to be approved by the Joint Steering Committee.
- (i) **Confidentiality.** Each Target's JSC Representative owes a duty of confidentiality for all information and materials (whether oral or written) obtained. In the absence of the Board's written approval, the Target's JSC Representatives shall not disclose or make public any confidential information to third parties, save for disclosure made in accordance with applicable regulatory requirements, or to the Target's directors, officers, employees, agents, financial advisors, legal advisors, auditors, and other advisors for the purpose of implementing Merger Agreement provided that the aforementioned parties have signed customary confidentiality agreements or are bound by fiduciary or other obligations to keep such information and materials confidential.
- (j) **Dissolution.** The Joint Steering Committee shall automatically dissolve immediately upon effective termination of the Merger Agreement in accordance with the terms thereof and its terms of reference shall cease to be effective and binding on its members thereafter.

The power of the Joint Steering Committee is delegated by the Board, and as set out above in paragraph (g) above, in the case where no resolution is reached in respect of any matter tabled at two consecutive Joint Steering Committee meetings, such matter shall be referred to the Board for consideration and approval. Further, in addition to the duty of confidentiality of the Target's JSC Representative set out in paragraph (i) above, the Target's JSC Representatives who have access to the inside information of the Company are also subject to statutory insider dealing provisions under the SFO. As such, it is expected that the establishment and operation of the Joint Steering Committee will not cause uneven dissemination of information in a manner materially different from other listed companies conducting similar transactions, and that the secrecy of inside information of the Company shall be preserved during the Transitional Period.

Given that the terms of reference of the Joint Steering Committee have provided various means for the members to attend the meetings, and have permitted a member to authorise his/her representative to attend the relevant meeting on his/her behalf, the Company believes the likelihood for both Company's JSC Representatives to be absent for two consecutive meetings of the Joint Steering Committee is low, and the applicability of the Adjourned Meeting Quorum is limited. The Company has used and will continue to use its commercially best effort to procure that the Company's JSC Representatives to attend all meetings of the Joint Steering Committee by himself/herself or by his/her authorised representative.

LETTER FROM THE BOARD

Undertakings

Each of the Company, the Merger Sub and the Target undertakes to each other that it shall, in good faith, use its commercially best effort to cooperate with all relevant government authorities and to take all necessary actions to obtain the Rule 18A.10 Consent, the Whitewash Waiver, the “approval in principle” with respect to the New Listing Application and any other necessary regulatory approvals, consents, confirmations and waivers as soon as practicable so to give effect to the Proposed Merger and other transactions in connection therewith.

Merger Closing

Subject to the satisfaction or waiver (if applicable) of all Merger Conditions Precedent, the Merger Closing shall take place at the Merger Effective Time.

Upon the Merger Closing, the Merger Sub will be merged with and into the Target with the Target surviving the Proposed Merger and becoming a wholly-owned subsidiary of the Company, and the Company will allot and issue the Consideration Shares pursuant to the Merger Agreement.

Termination

The Merger Agreement may be terminated prior to the Merger Effective Time upon occurrence of any of the termination events set out in the Merger Agreement (each a “**Termination Event**”), the salient terms include the followings:

- (a) by mutual written consent of the Company and the Target;
- (b) by written notice from either the Company or the Target to the other upon any government authority promulgating, issuing, implementing, promoting or enacting any final and non-appealable government order with the effect of declaring the Proposed Merger or the Merger Closing illegal, or otherwise preventing or prohibiting the Merger Closing from taking place;
- (c) by written notice from either the Company or the Target to the other within five (5) Business Days after the Long Stop Date, if the Merger Closing does not take place at or before 6:00 p.m. (Hong Kong time) on the Long Stop Date, unless the Long Stop Date is extended pursuant to the provisions of the Merger Agreement;
- (d) by written notice from either the Company or the Target to the other, if the Company fails to submit the New Listing Application to the Stock Exchange by the New Listing Application Deadline;

LETTER FROM THE BOARD

- (e) by written notice from the Target to the Company, if the Company or the Merger Sub has, in any material respect, breached any of its representations, warranties, undertakings (including the pre-Merger Closing undertakings of the Company as set out in the section headed “The Proposed Merger – Pre-Merger Closing undertakings” of this letter) or obligations under the Merger Agreement, or any representations or warranties made by the Company or the Merger Sub under the Merger Agreement is untrue in any material respect, resulting in the Company’s failure to fulfil the Merger Conditions Precedent set out in the sub-section headed “*Additional Merger Conditions Precedent in relation to the Company*” above, which are not remedied within the prescribed timeframe set out in the Merger Agreement; or
- (f) by written notice from the Company to the Target, if the Target has, in any material respect, breached any of its representations, warranties, undertakings (including the pre-Merger Closing undertakings of the Target as set out in the section headed “The Proposed Merger – Pre-Merger Closing undertakings” of this letter) or obligations under the Merger Agreement, or any representations or warranties made by the Target under the Merger Agreement is untrue in any material respect, resulting in the Target’s failure to fulfil the Merger Conditions Precedent set out in the sub-section headed “*Additional Merger Conditions Precedent in relation to the Target*” above, which are not remedied within the prescribed timeframe set out in the Merger Agreement.

Upon termination, (i) the Merger Agreement shall immediately become void and of no further effect (save for the surviving provisions specified in the Merger Agreement) and the Proposed Merger will not proceed; and (ii) the Joint Steering Committee shall be automatically dissolved with immediate effect, and its terms of reference shall immediately become void, of no further effect, and cease to be binding on its members.

Break fees

If (i) the Target terminates the Merger Agreement pursuant to Termination Event (c) above, and the Company or the Merger Sub has breached any of their respective representations, warranties, undertakings or obligations under the Merger Agreement in any material respect, and such breach is the primary cause of the Merger Closing not taking place at or before 6:00 p.m. (Hong Kong time) on the Long Stop Date, or (ii) the Target terminates the Merger Agreement pursuant to Termination Event (e) above, the Company shall pay, or procure the payment of, RMB75,000,000, together with all Target Transaction Fees, to the Target within two (2) Business Days after termination thereof (the “**Company’s Break Fee**”).

If (i) the Company terminates the Merger Agreement pursuant to Termination Event (c) above, and the Target has breached any of its representations, warranties, undertakings or obligations under the Merger Agreement in any material respect, or (ii) the Company effectively terminates the Merger Agreement pursuant to Termination Event (f) above, the Target shall pay, or procure the payment of, RMB75,000,000, together with all Company Transaction Fees, to the Company within two (2) Business Days after termination thereof (the “**Target’s Break Fee**”).

LETTER FROM THE BOARD

If the Company or the Target fails to timely pay the Company's Break Fee or the Target's Break Fee (as the case may be), such defaulting party shall pay the non-defaulting party, in addition to the Company's Break Fee or the Target's Break Fee (as the case may be), (i) all reasonable and recorded costs and expenses incurred by the non-defaulting party in connection with the collection and enforcement of the Company's Break Fee or the Target's Break Fee (as the case may be) (including reasonable and recorded legal fees and any reasonable and recorded costs and expenses incurred by the non-defaulting party for hiring any experts or consultants for collection of such payments), together with (ii) the interests accrued on the entire unpaid amount at the one-month interest rate published by the People's Bank of China calculated from the date on which such payment was required to be paid up to and until the date on which the defaulting party satisfies such payment in full.

Dissenting Target Shares

Pursuant to the Merger Agreement, each Dissenting Target Share issued and outstanding immediately prior to the Merger Effective Time held by a Dissenting Target Shareholder shall automatically be cancelled and cease to exist and will thereafter represent only the right to be paid the fair value of such Dissenting Target Shares and such other rights as are granted by the Cayman Companies Act, or (unless and until such Dissenting Target Shareholder fails to effect or withdraws or otherwise loses his, her or its Appraisal Right under the Cayman Companies Act) the right to receive such number of Consideration Shares in accordance with the Merger Agreement (without interest), details of which are set out in the section headed "The Proposed Merger – Merger consideration" in this letter.

The Proposed Merger and the Merger Agreement were approved by the Target Shareholders at an extraordinary general meeting of the Target held on 9 September 2024. As none of the Target Shareholders exercised its Appraisal Right by issuing a written objection to dissent from the Proposed Merger before the vote at such extraordinary general meeting of the Target, there was no Dissenting Target Share or Dissenting Target Shareholder in respect of the Proposed Merger.

THE AMENDMENT AGREEMENT

On 24 January 2025, the Target, the Company and the Merger Sub entered into the Amendment Agreement to extend the New Listing Application Deadline from 6:00 p.m. (Hong Kong time) on 31 January 2025 to 6:00 p.m. (Hong Kong time) on 30 June 2025, and the Long Stop Date for the Merger Closing from 6:00 p.m. (Hong Kong time) on 30 May 2025 to 6:00 p.m. (Hong Kong time) on 31 December 2025 (as may be further extended pursuant to the terms and conditions of the Merger Agreement). Save for the foregoing, all the other terms and conditions of the Merger Agreement remain unchanged and shall continue in full force and effect.

LETTER FROM THE BOARD

CDK4/6i OUTSOURCING MANAGEMENT AGREEMENT

On 13 September 2024, the Company and the Target entered into the CDK4/6i Outsourcing Management Agreement pursuant to which the Company agreed to entrust the Target with, and the Target agreed to provide services for, the management of all matters relating to CDK4/6i, including the submission of new drug application(s), manufacturing, supply chain management and any other relevant matters (the “**Services**”) during the Transitional Period unless terminated in accordance with the terms thereof.

The Target shall seek the Company’s prior written consent if any costs and fees relating to or incurred in relation to the Services are to be borne by the Company.

The CDK4/6i Outsourcing Management Agreement shall be terminated upon: (i) mutual agreement of the Company and the Target; or (ii) termination of the Merger Agreement in accordance with the terms thereof.

SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF THE SHAREHOLDER PERSONNEL

On 13 September 2024, the Company and the Target entered into conditional Retention Agreements in relation to the retention of the Shareholder Personnel of the Group upon the Merger Closing on the following terms and conditions:

- (a) if any Shareholder Personnel wishes to continue his/her employment with the Enlarged Group upon the Merger Closing, the Enlarged Group agrees, and will make all necessary arrangements, to maintain such Shareholder Personnel’s employment with the Enlarged Group for at least one (1) year following the Merger Closing (the “**Retained Period**”), during which the responsibilities (for Shareholder Personnel other than Dr. Guo only), remuneration packages and benefits of such Shareholder Personnel shall remain substantially the same as those entitled by such Shareholder Personnel prior to the Merger Closing;
- (b) if during the Retained Period, the Enlarged Group terminates any Shareholder Personnel’s employment without proper cause, the Enlarged Group shall, at the time of employment termination (the “**Employment Termination Time**”), pay such Shareholder Personnel a severance payment in an amount equal to (i) six (6) times of his/her average monthly salary for the twelve (12) calendar months immediately preceding the Merger Closing Date, or (ii) the Statutory Compensation Amount (2N), whichever is the higher;
- (c) (for Dr. Guo only) conditional upon (i) the Merger Closing having taken place, and (ii) Dr. Guo having served in the Enlarged Group for sixty (60) days immediately following the Merger Closing Date (the “**Dr. Guo’s Qualifying Acceleration Period**”), or the Enlarged Group terminates the employment of Dr. Guo during the Retained Period, 50% of the then unvested share options and/or RSUs held by Dr.

LETTER FROM THE BOARD

Guo under the Pre-Existing Company Share Schemes shall be automatically accelerated and vested in Dr. Guo on the expiration of the Dr. Guo's Qualifying Acceleration Period or immediately prior to the time of his employment termination (as the case may be). On the basis of the foregoing, conditional upon the final Net Cash Balance being not less than RMB712,500,000, the remaining 50% of the then unvested share options and/or RSUs held by Dr. Guo under the Pre-Existing Company Share Schemes shall be automatically accelerated and vested in Dr. Guo on the expiration of the Dr. Guo's Qualifying Acceleration Period or immediately prior to the Employment Termination Time (as the case may be);

- (d) (for Shareholder Personnel other than Dr. Guo) conditional upon the relevant Shareholder Personnel having served in the Enlarged Group for sixty (60) days immediately following the Merger Closing Date (the “**Other Shareholder Personnel's Qualifying Acceleration Period**”), or the Enlarged Group terminates the employment of such Shareholder Personnel during the Retained Period, all the then unvested share options and/or RSUs held by such Shareholder Personnel under the Pre-Existing Company Share Schemes shall be automatically accelerated and vested in such Shareholder Personnel on the expiration of the Other Shareholder Personnel's Qualifying Acceleration Period or immediately prior to the time of his/her employment termination (as the case may be). Notwithstanding the foregoing, if Dr. Guo (as the chief executive officer of the Company) imposes any additional conditions on the acceleration and vesting of any unvested share option and/or RSU held by the relevant Shareholder Personnel under the Pre-Existing Company Share Schemes, such unvested share options and/or RSU shall only be accelerated and vested in such relevant Shareholder Personnel upon satisfaction of all such conditions;
- (e) if any Shareholder Personnel's share options and/or RSUs are accelerated and vested pursuant to paragraph (c) or (d) above (as the case may be), and such Shareholder Personnel resigns after expiration of the Dr. Guo's Qualifying Acceleration Period or the Other Shareholder Personnel's Qualifying Acceleration Period (as the case may be), the Enlarged Group shall, on the date of his/her employment termination, pay such Shareholder Personnel a severance payment in an amount equal to three (3) times of his/her monthly salary for the calendar month immediately preceding the Merger Closing Date; and
- (f) in respect of the share options and RSUs held by the Shareholder Personnel, save for the acceleration arrangements set out in paragraphs (c) or (d) above (as the case may be), all other terms and procedures (including the exercise price) set out in the rules of the then effective relevant Pre-Existing Company Share Scheme(s) and/or grant agreement(s) shall remain unchanged.

LETTER FROM THE BOARD

As the Retention Plan constitutes an arrangement between the Company and each of the Shareholder Personnel, each being a Shareholder, and such arrangement has favourable conditions which are not extended to all other Shareholders, the Retention Plan constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the implementation of the Retention Agreement and the Retention Plan will require consent of the Executive. The Company has made an application to the Executive for the consent to implement the Retention Agreement and the Retention Plan pursuant to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Retention Agreement and the Retention Plan are fair and reasonable; and (b) the Retention Agreement and the Retention Plan are approved by the Independent Shareholders at the EGM.

Pursuant to the rules of the Post-IPO Share Option Plan, any change to the terms of share options granted shall be conditional upon approval of the Shareholders. As the Retention Plan involves the acceleration of the share options held by each of the Shareholder Personnel, the Retention Plan shall be subject to the approval by the Shareholders at the EGM.

Pursuant to the 2023 RSU Plan and the 2023 Share Option Plan, any amendment to the terms of the RSU or share option (as the case may be) granted to a grantee shall be approved by the Board, the compensation committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant was approved by the Board, the compensation committee, the independent non-executive Directors and/or the Shareholders (as the case may be). As the grant of RSU and share option to Dr. Guo under the 2023 RSU Plan and the 2023 Share Option Plan were approved by the Shareholders on 27 October 2023, the implementation of the Retention Agreement and the Retention Plan in respect of Dr. Guo shall be subject to the approval of the Shareholders at the EGM.

As Mr. Weng, an executive Director, is a connected person of the Company, any amendment to terms of the RSU granted to him under the 2021 RSU Plan, which was not subject to then applicable Chapter 17 of the Listing Rules, pursuant to the Retention Plan of Mr. Weng, shall be subject to the approval of the Independent Shareholders at the EGM pursuant to Chapter 14A of the Listing Rules.

Further, as the Retention Plan constitutes an agreement between the Company and Mr. Weng which expressly requires the Company to pay compensation or make other payments equivalent to more than one year's emoluments, the implementation of the Retention Agreement and the Retention Plan in respect of Mr. Weng shall be subject to the approval of the Shareholders at the EGM pursuant to Rule 13.68 of the Listing Rules.

As Mr. Weng has a material interest as one of the Shareholder Personnel in the Retention Plan, therefore he had abstained from voting on the Board resolution approving the Retention Agreement and the Retention Plan. Save as disclosed above, none of the Directors has a material interest in the Retention Plan and was required to abstain from voting on the Board resolution approving the Retention Agreement and the Retention Plan.

LETTER FROM THE BOARD

PROPOSED TERMINATION OF THE 2023 SHARE SCHEMES

The 2023 Share Option Plan and the 2023 RSU Plan were adopted by the Company on 27 October 2023 and shall be valid for a period of ten (10) years commencing from their respective effective dates, both being 27 October 2023, subject to early termination as determined by the Board pursuant to the rules governing the 2023 Share Option Plan and the 2023 RSU Plan.

As at the Latest Practicable Date, there were (i) 2,008,461 outstanding share options that had been granted (to the extent not already exercised) under the 2023 Share Option Plan, and (ii) 1,736,625 unvested RSUs that had been granted under the 2023 RSU Plan.

It is expected that the Company will not grant new share options and RSUs under the 2023 Share Option Plan and the 2023 RSU Plan, respectively, following the Merger Closing. In order to reduce administrative cost for maintaining and operating the 2023 Share Option Plan and the 2023 RSU Plan, the Board has approved to terminate the 2023 Share Option Plan and the 2023 RSU Plan immediately prior to Merger Effective Time to the effect that no further share options and RSUs may be granted under the 2023 Share Option Plan and the 2023 RSU Plan, but all other terms of the 2023 Share Option Plan and the 2023 RSU Plan shall remain in full force and effect (the “**Proposed Termination of the 2023 Share Schemes**”). Upon the Proposed Termination of the 2023 Share Schemes taking effect, all unvested and/or unexercised share options and RSUs granted thereunder shall continue to be valid and shall vest and be exercisable in accordance with the terms of the 2023 Share Option Plan and the 2023 RSU Plan, respectively, and the relevant grant agreements.

EFFECT OF THE PROPOSED MERGER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 528,291,792 Shares in issue, and 15,114,957 outstanding share options and 3,045,010 unvested RSUs under the Pre-Existing Company Share Schemes. Save for the foregoing and the Shares that are issuable pursuant to the ABT Subscription and Stock Purchase Agreement, there were no outstanding share options, warrants, derivatives or securities that carry a right to subscribe for or that were convertible into Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not hold any shares in the Target, and none of the Directors held shares in the Target.

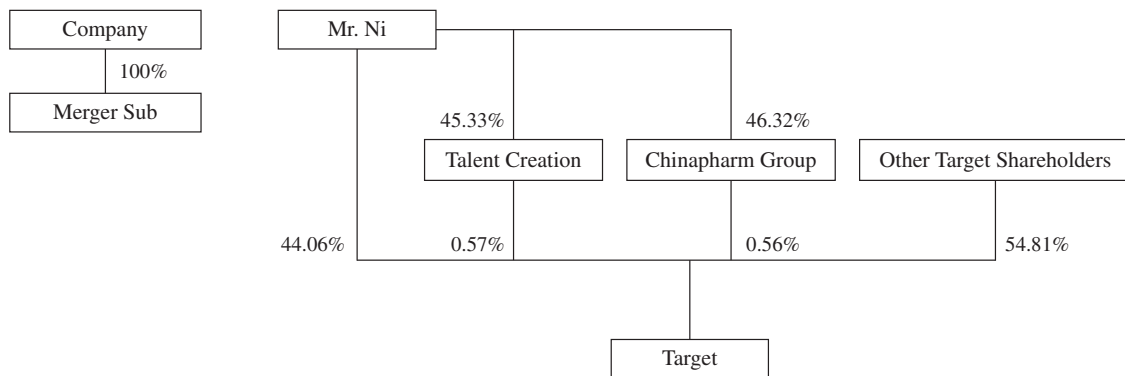
As set out above in this letter, at the Merger Effective Time, by virtue of the Proposed Merger, each Target Share issued and outstanding immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares based on the Share Exchange Ratio subject to adjustments applicable to the Taxable Target Shareholders and the Target Controlling Shareholders as set out in the section headed “The Proposed Merger – Merger consideration” in this letter. Accordingly, all Target Shareholders will become Shareholders of the Company upon the Merger Closing.

LETTER FROM THE BOARD

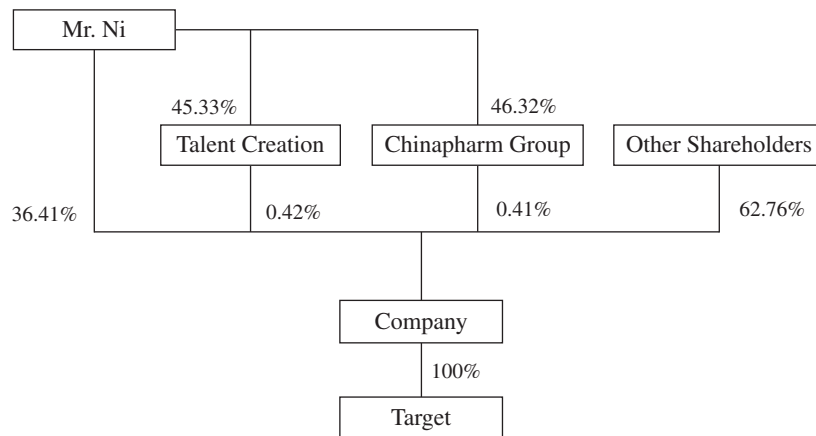
Shareholding Structure of the Company assuming no Taxable Target Shareholder

Set out below are (i) the simplified corporate structure chart of the Group and the Target Group immediately prior to the Merger Closing, and (ii) the simplified corporate structure chart of the Enlarged Group immediately upon the Merger Closing and the allotment and issue of Consideration Shares based on the Presumed Maximum Share Exchange Ratio, assuming that (a) there is no Taxable Target Shareholder, (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (c) none of the Converted Options under the One-off Share Option Plan has been exercised:

Immediately prior to the Merger Closing



Immediately upon the Merger Closing and the allotment and issue of the Consideration Shares



LETTER FROM THE BOARD

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares, based on assumptions set out below:

Name of Shareholders	(i) As at the Latest Practicable Date				(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and			
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Mr. Ni and parties acting in concert with him (being the Target Controlling Shareholders)⁽¹⁾								
Mr. Ni ^{(2)(3)(4)*}	-	-	837,966,754	36.41%	837,966,754	34.44%	837,966,754	34.44%
Talent Creation*	-	-	9,599,000	0.42%	9,599,000	0.39%	9,599,000	0.39%
Chinapharm Group*	-	-	9,433,500	0.41%	9,433,500	0.39%	9,433,500	0.39%
Sub-total	-	-	856,999,254	37.24%	856,999,254	35.22%	856,999,254	35.22%
Other Target Shareholders⁽⁵⁾⁽⁶⁾⁽⁷⁾								
HongShan Capital Growth Fund I, L.P.	-	-	89,786,531	3.90%	89,786,531	3.69%	89,786,531	3.69%
HongShan Capital Growth Partners Fund I, L.P.	-	-	2,141,206	0.09%	2,141,206	0.09%	2,141,206	0.09%
HongShan Capital GF Principals Fund I, L.P.	-	-	11,014,853	0.48%	11,014,853	0.45%	11,014,853	0.45%
HongShan Capital I, L.P.	-	-	29,907,654	1.30%	29,907,654	1.23%	29,907,654	1.23%
HongShan Capital Partners Fund I, L.P.	-	-	3,436,575	0.15%	3,436,575	0.14%	3,436,575	0.14%
HongShan Capital Principals Fund I, L.P.	-	-	4,628,920	0.20%	4,628,920	0.19%	4,628,920	0.19%
HSC Growth V Holdco Q, Ltd	-	-	40,728,693	1.77%	40,728,693	1.67%	40,728,693	1.67%
Sub-total⁽⁷⁾	-	-	181,644,432	7.89%	181,644,432	7.47%	181,644,432	7.47%
OrbiMed Asia Partners, L.P.*	-	-	124,839,669	5.42%	124,839,669	5.13%	124,839,669	5.13%
OrbiMed Asia Partners III, L.P.*	-	-	116,287,791	5.05%	116,287,791	4.78%	116,287,791	4.78%
Sub-total⁽⁸⁾	-	-	241,127,460	10.48%	241,127,460	9.91%	241,127,460	9.91%
Domain Partners VIII, L.P.	-	-	96,074,041	4.17%	96,074,041	3.95%	96,074,041	3.95%
DP VIII Associates, L.P.	-	-	712,892	0.03%	712,892	0.03%	712,892	0.03%
Sub-total⁽⁹⁾	-	-	96,786,933	4.21%	96,786,933	3.98%	96,786,933	3.98%

LETTER FROM THE BOARD

Name of Shareholders	(i) As at the Latest Practicable Date				(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and			
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Ms. Bao Wei Pink Crystal China Fund, L.P.	-	-	28,569,984	1.24%	28,569,984	1.17%	28,569,984	1.17%
	-	-	151,369,706	6.58%	151,369,706	6.22%	151,369,706	6.22%
Novel Insight Investments Limited	-	-	94,011,961	4.08%	94,011,961	3.86%	94,011,961	3.86%
Novel Sky Global Limited	-	-	55,375,135	2.41%	55,375,135	2.28%	55,375,135	2.28%
Sub-total⁽⁷⁾	-	-	149,387,096	6.49%	149,387,096	6.14%	149,387,096	6.14%
SPDBI Eagle Limited	-	-	43,704,992	1.90%	43,704,992	1.80%	43,704,992	1.80%
Other minority Target Shareholders	-	-	23,546,887	1.02%	134,382,237	5.52%	134,382,237	5.52%
Sub-total of Target Shareholders	-	-	1,773,136,744	77.05%	1,883,972,094	77.43%	1,883,972,094	77.43%
Director Mr. Weng ⁽⁸⁾	372,500	0.07%	372,500	0.02%	1,522,500	0.06%	1,522,500	0.06%
Substantial Shareholder of the Company⁽¹²⁾ Hillhouse Investment Management, Ltd. ⁽⁹⁾⁽¹³⁾	127,989,103	24.23%	127,989,103	5.56%	127,989,103	5.26%	127,989,103	5.26%
Kanghe Medical Technology Limited ⁽¹⁵⁾	44,311,060	8.39%	44,311,060	1.93%	44,311,060	1.82%	44,311,060	1.82%
Kang Jia Medical Technology Limited ⁽¹²⁾	13,491,962	2.55%	13,491,962	0.59%	13,491,962	0.55%	13,491,962	0.55%

LETTER FROM THE BOARD

Name of Shareholders	(i) As at the Latest Practicable Date				(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and			
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Public Shareholders								
Walga Biotechnology Limited ⁽¹⁰⁾⁽¹³⁾	37,560,998	7.11%	37,560,998	1.63%	37,560,998	1.54%	37,560,998	1.54%
Tenasek Holdings (Private) Limited ⁽¹¹⁾⁽¹³⁾	31,157,348	5.90%	31,157,348	1.35%	31,157,348	1.28%	31,157,348	1.28%
Other Shareholders ⁽¹⁴⁾	273,408,821	51.75%	273,408,821	11.88%	292,839,244	12.04%	292,839,244	12.04%
Total	528,291,792	100%	2,301,428,536	100%	2,432,844,309	100%	2,432,844,309	100%

LETTER FROM THE BOARD

Notes:

1. For information on the Target Controlling Shareholders, please refer to the section headed “Information on the Target Controlling Shareholders” in this letter.
2. As at the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme, which pursuant to the Merger Agreement and the One-off Share Option Plan, would be converted into 101,534,846 Converted Options. For the purposes of the Presumed Maximum Share Exchange Ratio, it is assumed that such Target Share Options to be having been exercised prior to the Merger Effective Time.
3. As at the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of the Talent Creation and Chinapharm Group. Accordingly, each of Talent Creation and Chinapharm Group was presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. For completeness, all the other shareholders of Talent Creation and Chinapharm Group were current or former employees of the Target Group. In addition to Mr. Ni, Talent Creation had six shareholders and Chinapharm Group had nine shareholders.
4. As at the Latest Practicable Date, each of Ms. Ni Yuan (倪苑), the sister of Mr. Ni, and Mr. Zhu Ronghai (朱容海), the spouse of Ms. Ni Yuan (倪苑), held 500,000 and 200,000 Target Share Options, respectively, which were granted to each of them on 10 June 2023. Each of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) is presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. Pursuant to the terms and conditions of the respective grant letters regarding these Target Share Options, these Target Share Options will vest and become exercisable in four instalments, with the first instalment vesting at any time during the period commencing from the first anniversary and ending on the second anniversary of the Merger Closing Date. Accordingly, no Consideration Shares will be allotted or issued to any of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) at the Merger Effective Time. Details of the One-off Share Option Plan are set out in the section headed “9. Share Schemes – 9.3 One-off Share Option Plan” in Appendix VI to this circular.
5. Save for Talent Creation and Chinapharm Group, none of the remaining Target Shareholders was acting in concert with Mr. Ni.
6. Assuming all the grantees of Converted Options do not hold Shares as at the Merger Closing.
7. Save for that (i) Talent Creation, Chinapharm Group and Mr. Ni were acting in concert with each other, (ii) HongShan Capital Growth Fund I, L.P., HongShan Capital Growth Partners Fund I, L.P., HongShan Capital GF Principals Fund I, L.P., HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P., HongShan Capital Principals Fund I, L.P. and HSG Growth V Holdco Q, Ltd were acting in concert with each other, (iii) OrbiMed Asia Partners, L.P. and OrbiMed Asia Partners III, L.P. were acting in concert with each other, (iv) Domain Partners VIII, L.P. and DP VIII Associates, L.P. were acting in concert with each other, and (v) Novel Insight Investments Limited and Novel Sky Global Limited were acting in concert with each other, none of the remaining Target Shareholders was acting in concert with each other.
8. Mr. Weng is entitled to further receive, subject to fulfilment of the relevant vesting and exercise conditions, up to 1,150,000 Shares upon vesting and/or exercise of all outstanding share options and RSUs held by him.
9. HHJH Holdings Limited (“**HHJH**”) is an exempted company incorporated in the Cayman Islands with limited liability. HHJH is wholly owned by HH BIO Investment Fund, L.P. (“**HH BIO**”), an exempted limited partnership established in the Cayman Islands. The sole limited partner of HH BIO is Hillhouse Fund IV, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd. (“**Hillhouse**”), an exempted company incorporated under the laws of the Cayman Islands. The sole general partner of HH BIO is HH BIO Holdings GP, Ltd.
10. Walga Biotechnology Limited was wholly-owned by Shanghai Walga Biotechnology Co., Ltd. (上海沃嘉生物技术股份有限公司), which was in turn wholly owned by Walvax, a company listed on the Shenzhen Stock Exchange (stock code: 300142). As such, under the SFO, Shanghai Walga Biotechnology Co., Ltd. and Walvax were deemed to be interested in the 37,560,998 Shares held by Walga Biotechnology Limited. Walga Biotechnology Limited was an indirect wholly-owned subsidiary of Yunnan Walvax Biotechnology Co., Ltd. (云南沃森生物技术股份有限公司).

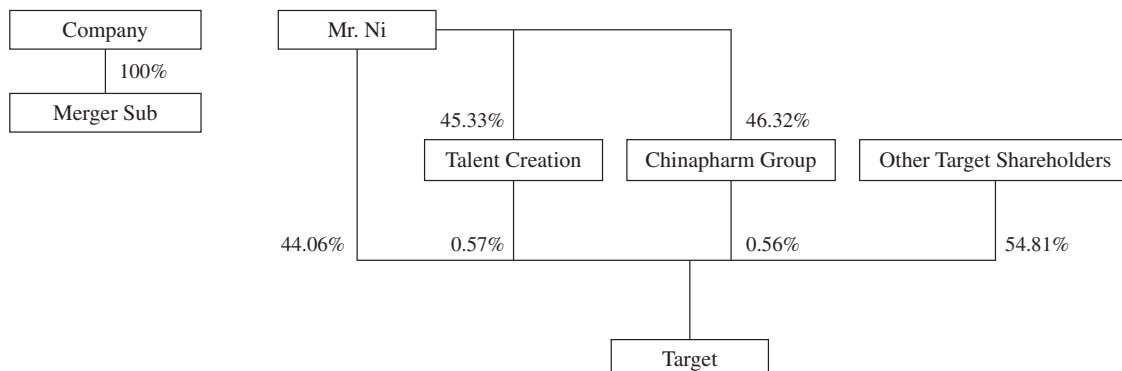
LETTER FROM THE BOARD

11. Aranda Investments Pte. Ltd. (“**Aranda Investments**”) was a company incorporated in Singapore and its principal activity was investment trading and investment holding. Aranda Investments was wholly-owned by Seletar Investments Pte Ltd, which in turn was wholly-owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited was a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Besides, Temasek Holdings (Private) Limited also held about 0.38% of the Shares in issue indirectly through other entities.
 12. Each of Kanghe Medical and Kang Jia Medical was a subsidiary of Zhejiang CONBA Pharmaceutical Co., Ltd (浙江康恩貝製藥股份有限公司) as at the Latest Practicable Date.
 13. Based on the disclosure of interests made by the relevant Shareholders and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.
 14. Pursuant to the ABT Subscription and Stock Purchase Agreement, the Company shall allot and issue 4,090,910 Shares and 454,546 Shares (as adjusted) to Ab Studio Inc. (“**ABS**”) and Dr. Yue Liu, respectively, subject to the terms and conditions set out therein. As at the Latest Practicable Date, the Company has issued 2,812,500 Shares and 312,500 Shares to ABS and Dr. Yue Liu, respectively. Assuming all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued, ABS and Dr. Yue Liu will hold 4,090,910 Shares and 454,546 Shares, respectively, each representing less than 5% of the issued shares of the Company (before and after the allotment of the Consideration Shares).
- * Pursuant to Rule 8.24 of the Listing Rules, Shares held by “core connected persons” of the Enlarged Group shall not be regarded as Shares “in public hands” upon the Merger Closing. Accordingly, immediately upon the Merger Closing, the Shares held by (i) Mr. Ni, Talent Creation and Chinapharm Group (being the Target Controlling Shareholders); and (ii) OrbiMed Asia Partners and OrbiMed III (being substantial Shareholders) will not be regarded as Shares “in public hands”. Accordingly, the public float of the Company is approximately 52.13%.

Shareholding Structure of the Company taking into account Taxable Target Shareholders

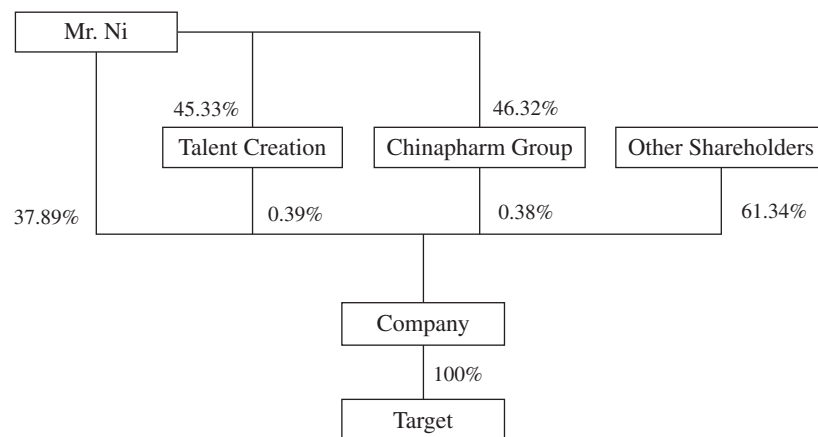
Set out below are (i) the simplified corporate structure chart of the Group and the Target Group immediately prior to the Merger Closing, and (ii) the simplified corporate structure chart of the Enlarged Group immediately upon the Merger Closing and the allotment and issue of Consideration Shares based on the Presumed Maximum Share Exchange Ratio, assuming that (a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares, (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (c) none of the Converted Options under the One-off Share Option Plan has been exercised:

Immediately prior to the Merger Closing



LETTER FROM THE BOARD

Immediately upon the Merger Closing and the allotment and issue of the Consideration Shares



LETTER FROM THE BOARD

The following shareholding table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares, based on assumptions set out below:

- (ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and

- (a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

Name of Shareholders	(i) As at the Practicable Date		Share Option Plan have been exercised		none of the Converted Options under the One-off	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Mr. Ni and parties acting in concert with him (being the Target Controlling Shareholders)⁽¹⁾						
Mr. Ni ⁽²⁾⁽³⁾⁽⁴⁾	-	-	837,966,754	37.89%	837,966,754	35.76%
Talent Creation	-	-	8,639,100	0.39%	8,639,100	0.37%
Chinapharm Group	-	-	8,490,150	0.38%	8,490,150	0.36%
Sub-total	-	-	855,096,004	38.66%	855,096,004	36.50%

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

Name of Shareholders	(i) As at the Practicable Date		Share Option Plan have been exercised		Share Option Plan have been exercised		Share Option Plan have been exercised	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Other Target Shareholders⁽⁵⁾⁽⁶⁾⁽⁷⁾								
HongShan Capital Growth Fund I, L.P.	-	-	80,807,878	3.65%	80,807,878	3.45%	80,807,878	3.45%
HongShan Capital Growth Partners Fund I, L.P.	-	-	1,927,086	0.09%	1,927,086	0.08%	1,927,086	0.08%
HongShan Capital GF Principals Fund I, L.P.	-	-	9,913,368	0.45%	9,913,368	0.42%	9,913,368	0.42%
HongShan Capital I, L.P.	-	-	26,916,889	1.22%	26,916,889	1.15%	26,916,889	1.15%
HongShan Capital Partners Fund I, L.P.	-	-	3,092,917	0.14%	3,092,917	0.13%	3,092,917	0.13%
HongShan Capital Principals Fund I, L.P.	-	-	4,166,028	0.19%	4,166,028	0.18%	4,166,028	0.18%

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

Name of Shareholders	(i) As at the Practicable Date		Share Option Plan have been exercised		Share Option Plan have been exercised		Share Option Plan have been exercised	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
HSG Growth V Holdco Q, Ltd	-	-	36,655,824	1.66%	36,655,824	1.66%	36,655,824	1.56%
Sub-total ⁽⁷⁾	-	-	163,479,990	7.39%	163,479,990	7.39%	163,479,990	6.98%
OrbiMed Asia Partners, L.P.	-	-	112,355,702	5.08%	112,355,702	5.08%	112,355,702	4.80%
OrbiMed Asia Partners III, L.P.	-	-	104,659,012	4.73%	104,659,012	4.73%	104,659,012	4.47%
Sub-total ⁽⁷⁾	-	-	217,014,714	9.81%	217,014,714	9.81%	217,014,714	9.26%

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the

Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested; and (c) none of the Converted Options under the One-off Share Option Plan have been exercised

Name of Shareholders

(i) As at the Practicable Date

	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>
Domain Partners VIII, L.P.	-	-	86,466,637	3.91%	86,466,637	3.69%
DP VIII Associates, L.P.	-	-	641,603	0.03%	641,603	0.03%
<i>Sub-total⁽⁷⁾</i>	-	-	<i>87,108,240</i>	<i>3.94%</i>	<i>87,108,240</i>	<i>3.72%</i>

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the

Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have

Name of Shareholders

(i) As at the Practicable Date

	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Share Option Plan have been exercised</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>
Ms. Bao Wei	-	-			28,569,984	1.29%	28,569,984	1.22%
Pink Crystal China Fund, L.P.	-	-			136,232,736	6.16%	136,232,736	5.81%
Novel Insight Investments Limited	-	-			84,610,765	3.83%	84,610,765	3.61%
Novel Sky Global Limited	-	-			49,837,622	2.25%	49,837,622	2.13%
Sub-total⁽⁷⁾	-	-			134,448,387	6.08%	134,448,387	5.74%

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested; and (c) none of the Converted Options under the One-off Share Option Plan have been exercised

Name of Shareholders	(i) As at the Practicable Date		Share Option Plan have been exercised		ABT Subscription and Stock Purchase Agreement have been issued	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
SPDBI Eagle Limited	-	-	39,334,493	1.78%	39,334,493	1.68%
Other minority Target Shareholders	-	-	21,837,645	0.99%	132,672,995	5.66%
Sub-total of Target Shareholders	-	-	1,683,122,193	76.11%	1,793,957,543	76.57%
Director						
Mr. Weng ⁽⁸⁾	372,500	0.07%	372,500	0.02%	1,522,500	0.06%

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested; and (c) none of the Converted Options under the One-off Share Option Plan have been exercised

Name of Shareholders	(i) As at the Practicable Date		Share Option Plan have been exercised		been issued	
	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>
Substantial Shareholder of the Company⁽¹²⁾						
Hillhouse Investment Management, Ltd. ⁽⁹⁾⁽¹³⁾	127,989,103	24.23%	127,989,103	5.79%	127,989,103	5.46%
Kanghe Medical Technology Limited ⁽¹²⁾	44,311,060	8.39%	44,311,060	2.00%	44,311,060	1.89%
Kang Jia Medical Technology Limited ⁽¹²⁾	13,491,962	2.55%	13,491,962	0.61%	13,491,962	0.58%

LETTER FROM THE BOARD

(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and

(a) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued

Name of Shareholders	(i) As at the Practicable Date		Share Option Plan have been exercised		Share Option Plan have been exercised		Share Option Plan have been issued	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Public Shareholders								
Waiga Biotechnology Limited ⁽¹⁰⁾⁽¹³⁾	37,560,998	7.11%	37,560,998	1.70%	37,560,998	1.60%	37,560,998	1.60%
Temasek Holdings (Private) Limited ⁽¹¹⁾⁽¹³⁾	31,157,348	5.90%	31,157,348	1.41%	31,157,348	1.33%	31,157,348	1.33%
Other Shareholders	273,408,821	51.75%	273,408,821	12.36%	292,839,244	12.51%	292,839,244	12.51%
Total	528,291,792	100%	2,211,413,985	100%	2,342,829,758	100%	2,342,829,758	100%

LETTER FROM THE BOARD

Notes:

1. For information on the Target Controlling Shareholders, please refer to the section headed “Information on the Target Controlling Shareholders” in this letter.
2. As at the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme, which pursuant to the Merger Agreement and the One-off Share Option Plan, would be converted into 101,534,846 Converted Options. For the purposes of the Presumed Maximum Share Exchange Ratio, it is assumed that such Target Share Options to be having been exercised prior to the Merger Effective Time.
3. As at the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of the Talent Creation and Chinapharm Group. Accordingly, each of Talent Creation and Chinapharm Group was presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. For completeness, all the other shareholders of Talent Creation and Chinapharm Group were current or former employees of the Target Group. In addition to Mr. Ni, Talent Creation had six shareholders and Chinapharm Group had nine shareholders.
4. As at the Latest Practicable Date, each of Ms. Ni Yuan (倪苑), the sister of Mr. Ni, and Mr. Zhu Ronghai (朱容海), the spouse of Ms. Ni Yuan (倪苑), held 500,000 and 200,000 Target Share Options, respectively, which were granted to each of them on 10 June 2023. Each of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) is presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. Pursuant to the terms and conditions of the respective grant letters regarding these Target Share Options, these Target Share Options will vest and become exercisable in four instalments, with the first instalment vesting at any time during the period commencing from the first anniversary and ending on the second anniversary of the Merger Closing Date. Accordingly, no Consideration Shares will be allotted or issued to any of Ms. Ni Yuan (倪苑) and Mr. Zhu Ronghai (朱容海) at the Merger Effective Time. Details of the One-off Share Option Plan are set out in the section headed “9. Share Schemes – 9.3 One-off Share Option Plan” in Appendix VI to this circular.
5. Save for Talent Creation and Chinapharm Group, none of the remaining Target Shareholders was acting in concert with Mr. Ni.
6. Assuming all the grantees of Converted Options do not hold Shares as at the Merger Closing.
7. Save for that (i) Talent Creation, Chinapharm Group and Mr. Ni were acting in concert with each other, (ii) HongShan Capital Growth Fund I, L.P., HongShan Capital Growth Partners Fund I, L.P., HongShan Capital GF Principals Fund I, L.P., HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P., HongShan Capital Principals Fund I, L.P. and HSG Growth V Holdco Q, Ltd were acting in concert with each other, (iii) OrbiMed Asia Partners, L.P. and OrbiMed Asia Partners III, L.P. were acting in concert with each other, (iv) Domain Partners VIII, L.P. and DP VIII Associates, L.P. were acting in concert with each other, and (v) Novel Insight Investments Limited and Novel Sky Global Limited were acting in concert with each other, none of the remaining Target Shareholders was acting in concert with each other.
8. Mr. Weng is entitled to further receive, subject to fulfilment of the relevant vesting and exercise conditions, up to 1,150,000 Shares upon vesting and/or exercise of all outstanding share options and RSUs held by him.
9. HHJH is an exempted company incorporated in the Cayman Islands with limited liability. HHJH is wholly owned by HH BIO, an exempted limited partnership established in the Cayman Islands. The sole limited partner of HH BIO is Hillhouse Fund IV, L.P., which is managed and controlled by Hillhouse, an exempted company incorporated under the laws of the Cayman Islands. The sole general partner of HH BIO is HH BIO Holdings GP, Ltd.
10. Walga Biotechnology Limited was wholly-owned by Shanghai Walga Biotechnology Co., Ltd. (上海沃嘉生物技术股份有限公司), which was in turn wholly owned by Walvax, a company listed on the Shenzhen Stock Exchange (stock code: 300142). As such, under the SFO, Shanghai Walga Biotechnology Co., Ltd. and Walvax were deemed to be interested in the 37,560,998 Shares held by Walga Biotechnology Limited. Walga Biotechnology Limited was an indirect wholly-owned subsidiary of Yunnan Walvax Biotechnology Co., Ltd. (云南沃森生物技术股份有限公司).

LETTER FROM THE BOARD

11. Aranda Investments was a company incorporated in Singapore and its principal activity was investment trading and investment holding. Aranda Investments was wholly-owned by Seletar Investments Pte Ltd, which in turn was wholly-owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited was a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Besides, Temasek Holdings (Private) Limited also held about 0.38% of the Shares in issue indirectly through other entities.
12. Each of Kanghe Medical and Kang Jia Medical was a subsidiary of Zhejiang CONBA Pharmaceutical Co., Ltd (浙江康恩貝製藥股份有限公司) as at the Latest Practicable Date.
13. Based on the disclosure of interests made by the relevant Shareholders and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, neither Mr. Ni nor parties acting in concert with him held Shares.

Immediately upon the Merger Closing, based on the Presumed Maximum Share Exchange Ratio:

- (a) assuming that (i) there is no Taxable Target Shareholder, (ii) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised, (1) Mr. Ni will be interested in 837,966,754 Shares, representing approximately 36.41% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares; and (2) Mr. Ni and parties acting in concert with him will be interested in 856,999,254 Shares, representing approximately 37.24% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares; or
- (b) assuming that (i) with respect to each Taxable Target Shareholder, the number of its Tax Circular 7 Deductible Shares equals the number of its Tax Circular 7 Withholding Shares, (ii) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised, (1) Mr. Ni will be interested in 837,966,754 Shares, representing approximately 37.89% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares; and (2) Mr. Ni and parties acting in concert with him will be interested in 855,096,004 Shares, representing approximately 38.66% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares.

LETTER FROM THE BOARD

Accordingly, pursuant to Rule 26.1 of the Takeovers Code, upon the Merger Closing, Mr. Ni will be required to make a conditional mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Mr. Ni and parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. An application to the Executive for the Whitewash Waiver has been made by Mr. Ni pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. For further details of the Whitewash Waiver, please refer to the section headed “Implications under the Takeovers Code” in this letter.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding. The Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs in the PRC.

INFORMATION ON THE MERGER SUB

The Merger Sub is a company incorporated in the Cayman Islands with limited liability and was a wholly-owned subsidiary of the Company as at the Latest Practicable Date. It was formed by the Company solely for the purpose of merging with and into the Target pursuant to the Merger Agreement in order to effect the Proposed Merger.

INFORMATION OF THE TARGET GROUP

The Target is a company incorporated in the Cayman Islands with limited liability and is an integrated biopharmaceutical company focusing on research, development, and commercialisation of promising therapeutics in therapeutic areas with considerable demand in the PRC.

Each of the Target and its ultimate beneficial owners is a third party independent of the Company and connected persons of the Company. For the corporate structure of the Target Group as of the Latest Practicable Date, please refer to the section headed “History, Development and Corporate Structure of the Target Group – The Corporate and Shareholding Structure of the Target Group” in this circular.

Product portfolio of the Target

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs with vast market potential. The Target Group’s portfolio addresses medical needs in a large or fast-growing therapeutic area, including anti-infectives, CVD, respiratory system diseases and oncology. For details of the said drug products, please refer to the section headed “Business of the Target Group” in this circular.

LETTER FROM THE BOARD

Financial information of the Target Group

For the financial information of the Target Group, please refer to Appendix I to this circular.

Previous listing application in relation to the Target Group

The Target submitted listing applications to the Stock Exchange on 23 September 2020, 29 March 2021, 15 December 2021 and 23 June 2023 (the “**Previous Listing Applications**”) which have already lapsed. After a thorough analysis of the prevailing capital market conditions and other relevant factors, the Target decided not to pursue the Previous Listing Applications. The Target Directors are not aware of any material matters that would materially adversely affect the Target’s suitability for listing or any other matters that need to be brought to the attention of the Stock Exchange and the SFC with respect to the Previous Listing Applications. The Target Directors also confirm that there were no disagreements between the Target Company and the then professional parties involved in the Previous Listing Application. Having taken into account the factors above and the independent due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would reasonably cause them to disagree in any material aspect with the Target Directors’ view above.

INFORMATION ON THE TARGET CONTROLLING SHAREHOLDERS

Mr. Ni is the founder, chairman, executive director and chief executive officer of the Target. The Target Controlling Shareholders are Mr. Ni, Talent Creation and Chinapharm Group. As at the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of Talent Creation and Chinapharm Group. Accordingly, each of Talent Creation and Chinapharm Group was presumed to be a party acting in concert with Mr. Ni under Class (8) of the definition of “acting in concert” under the Takeovers Code. For completeness, all the other shareholders of Talent Creation and Chinapharm Group were current or former employees of the Target Group.

As at the Latest Practicable Date, the Target Controlling Shareholders collectively owned and controlled, directly and indirectly, an aggregate of 228,236,981 Target Shares, representing approximately 45.19% of the issued share capital of the Target.

As at the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme. Upon fulfilment of the relevant vesting and exercise conditions (if any), Mr. Ni would be interested in a further 30,675,180 Target Shares.

REASONS FOR AND BENEFITS OF THE PROPOSED MERGER

The Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs and has been striving to provide innovative therapeutics initially for patients in China and gradually for patients globally through building rich and innovative drug candidates and pipelines.

LETTER FROM THE BOARD

Since its listing, the Group has made significant progress in advancing its drug candidates towards commercialisation. To date, the Group has obtained (i) NDA approval for GB242, an infliximab (Remicade) biosimilar, from the NMPA and (ii) NDA approval for GB491, a differentiated CDK4/6i, (a) in combination with fulvestrant for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients with disease progression following endocrine therapy and (b) in combination with an aromatase inhibitor for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients as initial endocrine-based therapy, from the NMPA. The Group is also actively advancing the research and development of key pipeline assets, including GB261, a novel CD3/CD20 bispecific T-cell engager, GB263T, an EGFR/cMET/cMET tri-specific antibody drug, and GB268, an innovative tri-specific antibody targeting PD-1, CTLA-4 and VEGF.

With two commercial or near-commercial assets, the Company has reached a critical development stage which requires strong commercialisation capabilities to maximise and capture market opportunities. At the same time, the Company's key pipeline products are being developed at full speed and approaching critical development stages, which require abundant and continuous cash flow to support the relevant R&D work. The Group also endeavors to continue to optimise its multi-specific antibody innovative drug discovery technology platform, which has been proven through numerous clinical-stage drug candidates and a significant out-licensing deal entered into with TRC 2004, Inc. (whose rights thereunder were subsequently assigned to Candid Therapeutics, Inc. following the merger between Candid Therapeutics, Inc. and TRC 2004, Inc. in August 2024) with deal value of a double-digit U.S. million dollar upfront payment and up to US\$443 million in milestone payments, in addition to royalty payments and equity in the licensee. With these historical accomplishments and future goals in mind, the Group is actively assessing and building the resources and capabilities needed to support the next stage of the Group's development as an integrated biopharmaceutical company.

Having evaluated a number of potential target companies, the Board considers the Target Group satisfies the above criteria and that it will be in the interest of the Company and the Shareholders as a whole to effect a merger with the Target Group for the following reasons:

- (a) **A diversified portfolio of innovative leading patented drugs and originator-branded drugs:** Based on information provided by the management of the Target to the Company, the Target Group has established a diversified product portfolio focusing on the largest and fastest-growing therapeutic areas in China comprising six major commercialized products, including three originator-branded products (Vancocin, Ceclor and FPN) and three commercialized innovative leading patented drug products (Vascepa, Mulpleta and Jing Zhu Da).

These drug products are well-established and clinically proven with significant market demand, and represent the Target Group's deep understanding of market needs and ability to select high value and de-risked assets with sharp business acumen. Moreover, the Target Group's portfolio is a testament to its ability to manage drug products throughout its lifecycle, from development to manufacturing

LETTER FROM THE BOARD

and commercialisation. The Board believes that these capabilities complement the Group's strong drug discovery and development platforms and would together form a complete and highly competitive biopharmaceutical company in China and on the global stage. Details of the Target Group's innovative patented drugs are as follows:

- (i) Vascepa, the only originator drug approved by the FDA and NMPA as an adjunct to maximally tolerated statin therapy for reducing persistent cardiovascular risk in targeted high risk patients: As advised by the management of the Target, Vascepa is to be used in combination with statins for adult patients with established cardiovascular disease or diabetes mellitus with ≥ 2 other risk factors for cardiovascular disease, combined with hypertriglyceridemia (≥ 150 mg/dL), to reduce the risk of cardiovascular disease. Based on cross trial comparisons, Vascepa demonstrated significant efficacy advantages over evolocumab (a PCSK-9 inhibitor) and ezetimibe (a cholesterol absorption inhibitor) on top of statin therapy for reducing the risk of cardiovascular events. It significantly reduces the risk of cardiovascular death by up to 20% as indicated in its REDUCE-IT trials. Vascepa has been recommended as a secondary and primary prevention medication for cardiovascular disease by more than 80 domestic and foreign guidelines/consensus statements, including the "2023 ESC Guidelines for the Management of Acute Coronary Syndromes", "2019 ESC/EAS Guidelines for the Management of Dyslipidemias: Lipid Modification to Reduce Cardiovascular Risk", and the "Chinese Guidelines for Lipid Management (2023)", and the "Chinese Guidelines for the Diagnosis and Management of Patients with Chronic Coronary Syndrome (2024)". There were more than 11.4 million cases of coronary heart disease patients and more than 13 million cases of cerebral stroke patients in 2024 in China, denoting a huge market potential.
- (ii) Mulpleta, an innovative drug with the potential to disrupt the treatment of thrombocytopenia ("TCP"), which occurs in a variety of conditions such as CLD and chemotherapy: As advised by the management of the Target, Mulpleta is for the adult patients with chronic liver disease with thrombocytopenia who are planning to undergo a surgery (including diagnostic procedure). It has been recommended as platelet-enhancing drugs by more than ten domestic and foreign guidelines/consensus statements, including the "Guidelines of CSCO Cancer Therapy Induce Thrombocytopenia (2023, 2024)" and the "Standard for Diagnosis and Treatment of Primary Liver Cancer (2024)". There are at least 3.3 million moderate-to-severe liver disease patients with thrombocytopenia in urgent need of upgraded treatment in China, denoting a huge market potential.

LETTER FROM THE BOARD

- (iii) **Jing Zhu Da**, a novel, oral, selective HDAC inhibitor: As advised by the management of the Target, Jing Zhu Da combined with aromatase inhibitor is used for the treatment of patients with HR+/HER2- locally advanced or metastatic breast cancer that has recurred or progressed on endocrine therapy. The unique mechanism of action of Jing Zhu Da reverses endocrine resistance, reducing the risk of disease progression by 24% and prolonging overall patient survival by more than nine months compared to traditional treatments. It is currently the only approved advanced breast cancer treatment option with the three advantages: pure oral administration, covering the entire pre- and post-menopausal population, and filling the gap of CDK4/6i drug-resistant treatment. One tablet a week is safe and convenient. There were more than 372,700 new cases of breast cancer patients in China in 2024, denoting a huge market potential.
- (b) **Strong sales and marketing network to support pipeline commercialisation:** As advised by the management of the Target, the Target Group has a well-established sales and marketing system with an over twenty-year proven track record in terms of marketing efficiency and output per capita. As at 30 June 2025, the Target Group had around 1,000 sales representatives, with coverage across 31 provinces in China, and approximately 17,000 hospitals, 19,000 pharmacies and 188 business corporations. The Target Group's mature sales network is highly valuable to the Group as it seeks to advance and commercialise its drug assets. In particular, years of business development, brand promotion and product management experience of the Target Group, as well as its long-standing relationships with hospitals, industry associations, PIs and KOLs, are expected to be instrumental for such drugs to successfully enter a competitive market landscape.
- Moreover, the Target Group's Jing Zhu Da, an HDAC inhibitor indicated for the treatment of HR+/HER2- locally advanced or metastatic breast cancer, is expected to create strong synergies from a commercialisation perspective with GB491, one of the Group's key assets, also for the treatment of HR+/HER2- advanced breast cancer. Hence, with the Target Group's established sales and distribution network, and an advanced and comprehensive manufacturing system, the Board is of the view that the Proposed Merger, if materialized, will significantly enhance the commercialisation success of existing and future commercialized drugs.
- (c) **Robust financial performance supporting future R&D endeavors:** The Group has a robust pipeline of innovative drug candidates under development and continues to hone its technology platforms to remain at the forefront of the biopharmaceutical industry. Recognising the competitive nature and significant market potential of this industry and the key therapeutic areas of the Group, the Group believes it is instrumental to advance its pipeline development at a rapid speed to capture market share and maintain its competitiveness. Moreover, it is crucial to continue to discover new innovative targets and drugs to further supplement its pipeline. These endeavors require significant financial resources.

LETTER FROM THE BOARD

According to the financial information provided by the Target's management to the Directors, the Target Group achieved strong EBITDA growth from RMB768.3 million in 2022 to RMB931.3 million in 2024. The robust and continuous cash flow of the Target Group is expected to provide support to the R&D of the Group's pipeline products, including ongoing and planned clinical trials, indication expansion and preparation for registration filings. Further details of the historical financial information of the Target Group, please refer to Appendix 1 to this circular.

- (d) **Advanced manufacturing platforms and global supply chain system:** As advised by the management of the Target, the Target Group has, through a series of transactions, acquired manufacturing platforms, global supply chain systems and drug production technology from the multinational corporations. To date, the Target has established its own localised manufacturing platform with techniques and know-how meeting international standards for drug manufacturing with unmatched quality, with a deep pool of seasoned management personnel, forming a key competitive moat against its peers. The Target Group also leverages its cross-regional supply chain management and coordination capabilities to manage an end-to-end global supply chain, and its long-term relationships with suppliers to ensure efficiency and stability of its supply chain. The Board expects that these in-house core manufacturing capabilities would be crucial to the commercialisation, production and supply of GB491 as well as the Group's other assets and serve as the cornerstone for the future success of the Enlarged Group.

Further, the consideration of the Proposed Merger is to be wholly settled by way of issuing Consideration Shares and there would be no cash outlay by the Group, and together with an approximate RMB669.9 million of Remaining IPO Proceeds as at 31 December 2024 as set out in the section headed "Proposed Use of the Remaining IPO Proceeds upon the Merger Closing" in this letter, the Enlarged Group will have sufficient cash resources to develop and expand its business following the Merger Closing.

The Proposed Merger is a key step for the Company to transform into a developed and fully integrated biopharmaceutical company. The production operations, international supply chain management, MAH management capabilities and commercialisation capabilities possessed by the Target are crucial to the commercialisation and launch of originator-branded drug products. The strong financial performance and continuous positive cash flow of the Target is also a core pillar for the Target to maintain its leading position in researching and developing innovative drug products. The Proposed Merger is expected to bring complementary and synergetic effects to both the Group and the Target Group and lay an important foundation for the sustainable development of the Enlarged Group post-Merger Closing.

Based on the above reasons and benefits, the Directors (including the independent non-executive Directors after taking into account the advice and recommendation of the Independent Financial Adviser) considered that the Proposed Merger is fair and reasonable and is in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE RETENTION PLAN OF THE SHAREHOLDER PERSONNEL

As set out in the section headed “Reasons for and Benefits of the Proposed Merger” in this letter, various drug candidates of the Group are currently under clinical development or under the review of the NMPA for the grant of NDA approval and CDK4/6i is also expected to be commercialised soon. It is also the current intention of the Company and the Target to continue to finance the research, development, commercialisation of the Group’s existing drug candidates and drug products, as well as the expansion of the Group’s drug pipeline with the Remaining IPO Proceeds (which was approximately RMB669.9 million as at 31 December 2024). In order to continue to invest in, research, develop and ultimately launch the Group’s drug candidates and products, the Company and the Target believe that it is in the interest of the Enlarged Group and the Shareholders to retain experienced key personnel who (i) is familiar with the business, drug portfolio and operation of the Group, (ii) has close relationship with the suppliers, customers and other service providers of the Group, and (iii) has made immense contribution to the remarkable growth and development of the Group to continue his/her employment with the Enlarged Group following the Merger Closing. Having considered the profiles, experience and contributions of the existing senior management team of the Group, the Company and the Target identified a total of ten Shareholder Personnel from various divisions of the Group, including R&D, operation, finance and human resources, and each of them satisfies all the foregoing criteria, which the Company considers beneficial to the Enlarged Group to have them remain involved in the business of the Enlarged Group post-Merger Closing.

Further, the Company and the Target believe that the retention of the Shareholder Personnel who had been deeply involved in the business and operation of the Group could assist the new Directors to understand and implement the business strategies and plan following the Merger Closing and minimise disruptions to the day-to-day operation of the Enlarged Group as a result of the change in the composition of the Board and the management team following the Proposed Merger.

In view of the above, the Company and the Target entered into the Retention Agreements simultaneously with the Merger Agreement so to maintain the Shareholder Personnel’s employment with the Enlarged Group for at least one (1) year following the Merger Closing. The Enlarged Group may evaluate the continued employment of the remaining employees of the Group depending on the business strategy and focus of the Enlarged Group after completion of the Merger Closing.

In addition, as set out in paragraphs 2.1(c) and 2.1(d) of the section headed “Special Deal in relation to the Retention Plan of the Shareholder Personnel” in this letter, the Enlarged Group will reward Shareholder Personnel who has served the Enlarged Group for at least sixty days immediately following the Merger Closing Date pursuant to the terms of the Retention Agreements. This is because the Company and the Target expect that there will be substantial amount of transitional work to be handled by personnel of both the Group and the Target Group, which is essential for the smooth merger between the Group and the Target Group,

LETTER FROM THE BOARD

during the first sixty days immediately after the Merger Closing. Hence, the Retention Agreements provide for the acceleration and vesting of unvested share options and/or RSUs in the relevant Shareholder Personnel upon such Shareholder Personnel serving the Enlarged Group during such sixty-day period and fulfilling such other conditions applicable to him/her as set out in the relevant Retention Agreement (if any). Both the Company and the Target believe the continuous service of the Shareholder Personnel in the Enlarged Group post-Merger Closing will facilitate the smooth business merger between the Group and the Target Group and minimise disruptions to the day-to-day operation of the Enlarged Group. The Company and the Target therefore believe that the Retention Plan is in the interest of the Enlarged Group and the Shareholders.

PROPOSED USE OF THE REMAINING IPO PROCEEDS UPON THE MERGER CLOSING

As disclosed in the 2024 Annual Results Announcement, as at 31 December 2024, the unutilised net proceeds raised during the global offering of the Shares were approximately RMB669.9 million (the “**Remaining IPO Proceeds**”). Each of the Company and the Target confirms that there is no current plan to change the use of the Remaining IPO Proceeds. It is also the current intention the Company and the Target to continue with the Company’s existing plan on the R&D and commercialisation of the Company’s existing product pipelines following the Merger Closing. For details of the Company’s development plan, please refer to the 2024 Annual Results Announcement. The current plan for utilising the Remaining IPO Proceeds is based on the Company’s and the Target’s best estimation and assumption of the future market conditions and is subject to changes according to the Enlarged Group’s actual business operations and markets conditions.

PROPOSED CHANGES TO THE BOARD UPON THE MERGER CLOSING

As at the Latest Practicable Date, the Board comprised Mr. Weng as an executive Director; Mr. Yu Tieming and Mr. Liu Yi as non-executive Directors; and Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen as independent non-executive Directors.

Pursuant to the Merger Agreement, all Directors in office immediately before the Merger Effective Time (save for Mr. Yu Tieming, being an existing non-executive Director and the Remaining Director) shall resign with effect no later than the Merger Effective Time. Mr. Chen Wen, being an existing independent non-executive Director and designated by the Target to serve as a proposed independent non-executive Director following the Merger Closing, will be re-appointed as an independent non-executive Director. The Board, upon such resignation and the appointment or re-appointment of the new Directors at the Merger Effective Time, will comprise seven (7) Directors, of which the Target shall be entitled to designate three (3) Directors as executive Directors or non-executive Directors and three (3) Directors as independent non-executive Directors who satisfy the independence requirements under the Listing Rules, and the Remaining Director shall serve as a non-executive Director.

LETTER FROM THE BOARD

Pursuant to the Target Controlling Shareholders Undertaking, the Target Controlling Shareholders have undertaken to the Company, among other things, that they shall exercise or procure the exercise of their voting rights and/or control at the Board meetings and the general meetings of the Company to (i) vote in favour of all resolutions necessary for the Remaining Director to serve as a non-executive Director from the Merger Closing Date up to and until the date falling twelve (12) months after the Merger Closing Date, and (ii) vote against all resolutions that could in any material respect obstruct or be reasonably expected to obstruct the Remaining Director from serving as a non-executive Director from the Merger Closing Date up to and until the date falling twelve (12) months after the Merger Closing Date.

The Target proposes to appoint or re-appoint Mr. Ni and Ms. Zhai Jing as executive Directors, Dr. David Guowei Wang as non-executive Director, and Dr. Xu Qing, Mr. Chen Wen and Ms. Zheng Jingjing as independent non-executive Directors with effect from the Merger Effective Time. Biographical details of the said proposed new Directors are set out in the section headed “Proposed Directors and Senior Management of the Enlarged Group” in this circular.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) calculated in accordance with the Listing Rules in respect of the Proposed Merger exceed 100%, the Proposed Merger constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Further, as Mr. Ni, the controlling shareholder of the Target, will upon the Merger Closing become a controlling Shareholder of the Company and thus a “controller” of the Company within the meaning of Rule 14A.28 of the Listing Rules, the Proposed Merger constitutes a connected transaction of the Company pursuant to Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratio(s) calculated in accordance with the Listing Rules in respect of the Proposed Merger is more than 5%, the Proposed Merger is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 18A.10 of the Listing Rules, without the prior consent of the Stock Exchange, a biotech company listed under Chapter 18A of the Listing Rules must not effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in the principal business activities of the relevant issuer as described in the listing document issued at the time of its application for listing.

LETTER FROM THE BOARD

The Proposed Merger also constitutes a reverse takeover for the Company under Rule 14.06B of the Listing Rules on the basis that the Proposed Merger (i) constitutes a very substantial acquisition and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and (ii) involves an acquisition of assets from the Target which will result in a change in control (as defined under the Takeovers Code) of the Company immediately after the allotment and issue of the Consideration Shares. In addition, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and has complied with Rule 14.54 of the Listing Rules. The Enlarged Group must be able to meet the basic listing eligibility requirements of the Listing Rules. The Company must also comply with the procedures and requirements for new listing applicants as set out in Chapter 9 of the Listing Rules. Accordingly, the Proposed Merger is also subject to the approval by the Listing Committee. The New Listing Application has been submitted to the Stock Exchange. The Listing Committee may or may not grant its approval to the New Listing Application. If such approval is not granted by the Listing Committee, the Merger Agreement will not become unconditional and the Proposed Merger will not proceed.

As set out in the section headed “Special Deal in relation to the Retention Plan of the Shareholder Personnel” in this letter, the Retention Plan of Mr. Weng is subject to approval of the Independent Shareholders at the EGM pursuant to Chapter 14A of the Listing Rules and approval of the Shareholders at the EGM pursuant to Rule 13.68 of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, neither Mr. Ni nor parties acting in concert with him (being Talent Creation and Chinapharm Group) owned, controlled or directed any Shares. Immediately upon the Merger Closing, based on the Presumed Maximum Share Exchange Ratio, assuming that (a) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, (b) there is no Taxable Target Shareholder, and (c) none of the Converted Options under the One-off Share Option Plan has been exercised, Mr. Ni and parties acting in concert with him will be interested in 856,999,254 Shares, representing approximately 37.24% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares upon the Merger Closing. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, upon the Merger Closing, Mr. Ni will be required to make a conditional mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Mr. Ni and parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. An application to the Executive for the Whitewash Waiver has been made by Mr. Ni pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

According to the Takeovers Code, the Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) respective resolutions relating to the Whitewash Waiver and the Proposed Merger being approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll; and (ii) Mr. Ni and parties acting in concert with him not having made any acquisitions or disposals of voting rights of the Company between the date of the Announcement and completion of the allotment and issue of the Consideration Shares unless with the prior consent of the Executive.

LETTER FROM THE BOARD

The Merger Closing is conditional on, among other things, the grant of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholder at the EGM.

If the Whitewash Waiver is not granted or is withdrawn or revoked by the Executive or is not approved by the Independent Shareholders at the EGM, the Proposed Merger will not become unconditional and will not proceed.

As set out in the section headed “Special Deal in relation to the Retention Plan of the Shareholder Personnel” in this letter, the Retention Plan constitutes an arrangement between the Company and each of the Shareholder Personnel, each being a Shareholder, and such arrangement has favourable conditions which are not extended to all other Shareholders, the Retention Plan constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the implementation of the Retention Agreements and the Retention Plan will require consent of the Executive. Such consent, if granted, is expected to be subject to (a) the Independent Financial Adviser publicly stating that in its opinion the terms of the Retention Agreements and the Retention Plan are fair and reasonable; and (b) the Retention Agreements and the Retention Plan are approved by the Independent Shareholders at the EGM.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “Genor Biopharma Holdings Limited” to “Edging Genor Group Holdings Limited” and change the dual foreign name of the Company in Chinese from “嘉和生物藥業(開曼)控股有限公司” to “億騰嘉和醫藥集團有限公司” (collectively, the “**Proposed Change of Company Name**”) upon Merger Effective Time subject to satisfaction of all conditions set out in this section below.

Reasons for the Proposed Change of Company Name

Immediately upon the Merger Closing, the Target Controlling Shareholders will become the Controlling Shareholders of the Enlarged Group and the Target will become a wholly-owned subsidiary of the Company. The Board believes that the new English name and Chinese name of the Company will not only provide the Company with a fresh corporate identity, but also better reflect the business of the Enlarged Group as well as relationship between the Company and the Controlling Shareholders of the Enlarged Group.

Conditions to the Proposed Change of Company Name

The Proposed Change of Company Name is subject to the passing of a special resolution by the Shareholders at the EGM approving the Proposed Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Proposed Change of Company Name will take effect from the Merger Effective Time. The Company will carry out all necessary filing procedures with the Registrar of Companies in the Cayman Islands and the Registrar of Companies in Hong Kong.

LETTER FROM THE BOARD

Effects of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the Shareholders or the daily operations and the financial position of the Group. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the Proposed Change of Company Name becoming effective, continue to be effective and as documents of title to the Shares and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of existing Share certificates for new Share certificates bearing the new name of the Company. Once the Proposed Change of Company Name becomes effective, any new issue of Share certificates thereafter will only be in the new name of the Company. In addition, subject to the confirmation from the Stock Exchange, the English and Chinese stock short names of the Company for trading of the Shares on the Stock Exchange will also be changed to “Edding Genor” and “亿腾嘉和” after the Proposed Change of Company Name becomes effective.

The Proposed Change of Company Name is subject to the passing of the relevant special resolution(s) by the Shareholders at the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was US\$20,000 divided into 1,000,000,000 Shares, of which 528,291,792 Shares were in issue.

In order to give effect to the Proposed Merger, the Board proposed to increase the authorised share capital of the Company from US\$20,000 divided into 1,000,000,000 Shares to US\$60,000 divided into 3,000,000,000 Shares by creation of an additional 2,000,000,000 Shares.

The proposed increase in authorised share capital is subject to the passing of the relevant ordinary resolution(s) by the Shareholders at the EGM.

PROPOSED ADOPTION OF THE ONE-OFF SHARE OPTION PLAN

The Target adopted the Target Share Option Scheme to enable the Target to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Target Group. At the Merger Effective Time, all outstanding Target Share Options will be automatically cancelled and lapse in accordance with the Merger Agreement. In order to provide a fair treatment to the Target Share Option Scheme Grantees and to continue to recognise their contribution to the Target Group or provide incentives for potential contribution to the Enlarged Group following the Merger Closing, the Company proposes to adopt the One-off Share Option Plan. Pursuant to the rules governing the Target Share Option Scheme, except as provided otherwise in any other written agreement between the Target and a Target Share Option Grantee, at the Merger Effective Time, each Target Share Option can be assumed by and replaced with a comparable option of the Company which preserves the compensation element of such Target Share Option existing immediately prior to the Merger Effective Time in accordance with the same exercise schedule to such Target Share Option. None of the Target Share Option Grantees held any Shares in the Company as of the Latest Practicable Date.

LETTER FROM THE BOARD

The adoption of the One-off Share Option Plan is conditional upon:

- (a) the passing of all necessary resolution(s) by the Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon exercise of the share options that may be granted under the One-off Share Option Plan.

The One-off Share Option Plan forms part of the arrangements under the Merger Agreement and aims to provide a fair treatment to the Target Share Option Scheme Grantees to convert the Target Share Options into Converted Options upon the Merger Closing. As such, the rules of the One-off Share Option Plan do not contain all the provisions as required under Chapter 17 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Chapter 17 of the Listing Rules. Please refer to “Waivers from Strict Compliance with the Listing Rules – The One-off Share Option Plan” for details of the waiver application.

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon exercise of the share options that may be granted under the One-off Share Option Plan.

For further details of the rules of the One-off Share Option Plan, please refer to “9. Share Schemes – 9.3 One-off Share Option Plan” in Appendix VI to this circular.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, the Company and the Target received irrevocable undertakings (each an “**Irrevocable Undertaking**”) from each of HHJH Holdings Limited, Kanghe Medical Technology Limited (康和醫療科技有限公司) (“**Kanghe Medical**”), Walga Biotechnology Limited, Shanghai Changnuo Enterprise Management Partnership (Limited Partnership) (上海昶諾企業管理合夥企業(有限合夥)) (“**Shanghai Changnuo**”), Kang Jia Medical Technology Limited (康嘉醫療科技有限公司) (“**Kang Jia Medical**”), HHLR Fund, L.P. and HM Healthcare Management Services, Ltd. (each an “**IU Shareholder**”). None of the

LETTER FROM THE BOARD

IU Shareholders owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Target. Details of the Irrevocable Undertakings is as follows:

Name of IU Shareholder	Date of the Irrevocable Undertaking	<i>Number of Shares held as at the Latest Practicable Date</i>	<i>Approximate percentage of shareholding in the Company as at the Latest Practicable Date</i>
HHJH Holdings Limited	13 September 2024	126,239,103	23.90%
Kanghe Medical ^(Note)	26 September 2024	44,311,060	8.39%
Walga Biotechnology Limited	26 September 2024	37,560,998	7.11%
Shanghai Changnuo	26 September 2024	25,000,000	4.73%
Kang Jia Medical ^(Note)	26 September 2024	13,491,962	2.55%
HHLR Fund, L.P.	25 September 2024	10,792,000	2.04%
HM Healthcare Management Services, Ltd.	25 September 2024	1,750,000	0.33%
Total		259,145,123	49.05%

Note: Each of Kanghe Medical and Kang Jia Medical was a subsidiary of Zhejiang CONBA Pharmaceutical Co., Ltd (浙江康恩貝製藥股份有限公司) as at the Latest Practicable Date.

Pursuant to the Irrevocable Undertakings, each IU Shareholder has irrevocably undertaken to the Company and the Target, among other things, that it shall: (a) vote in favour of the Proposed Merger and any other transactions contemplated in connection therewith in respect of all the Shares held by it, (b) attend the EGM in person or by proxy such that it could be count towards the quorum for the EGM, (c) vote against any proposals that could in any material respect obstruct or be reasonably expected to obstruct the Proposed Merger and any other transactions contemplated in connection therewith in respect of all the Shares held by it, and (d) not transfer or in any way deal with any Share held by it from the date of its Irrevocable Undertaking up to and until the date on which all Merger Conditions Precedent have been satisfied or waived (as the case may be).

The Irrevocable Undertakings shall terminate immediately upon the earlier of (a) the date of termination of the Proposed Merger pursuant to the Merger Agreement; or (b) the Merger Closing Date.

LETTER FROM THE BOARD

APPRAISAL RIGHT OF DISSENTING TARGET SHAREHOLDERS

Section 238 of the Cayman Companies Act provides for the Appraisal Right of the Dissenting Target Shareholders to be paid the fair value of their Target Shares, subject to limitations under Section 239 of the Cayman Companies Act. Target Shareholders have the Appraisal Right in connection with the Proposed Merger under the Cayman Companies Act.

As mentioned in the section headed “The Proposed Merger – Dissenting Target Shares” above, none of the Target Shareholder has exercised its Appraisal Right in connection with the Proposed Merger, and there was no Dissenting Target Share or Dissenting Target Shareholder in respect of the Proposed Merger.

THE JOINT SPONSORS, THE LISTING RULES IBC, THE TAKEOVERS CODE IBC AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

Morgan Stanley Asia Limited and SPDB International Capital Limited have been appointed as the Joint Sponsors to the New Listing Application.

The Listing Rules IBC, comprising Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen (each an independent non-executive Director) has been formed in accordance with the Listing Rules for the purposes of advising the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor, pursuant to Rule 14A.39 of the Listing Rules.

The Takeovers Code IBC, comprising Mr. Yu Tieming and Mr. Liu Yi (each a non-executive Director), and Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen (each an independent non-executive Director) who have no direct or indirect interest in the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, has been formed for the purpose of advising the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor, pursuant to Rule 2.8 of the Takeovers Code. Given that, as set out above, the Retention Plan of the Shareholder Personnel (including the Retention Plan of Mr. Weng) constitutes a special deal under Rule 25 of the Takeovers Code, whereas the Retention Plan of Mr. Weng is subject to the requirements under Chapter 14A of the Listing Rules, the Takeovers Code IBC will advise on the Retention Plan of the Shareholder Personnel and the Listing Rules IBC will advise on the Retention Plan of Mr. Weng.

Somerley has been appointed to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor, and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel, and as to voting therefor.

LETTER FROM THE BOARD

EGM

A notice of the EGM to be held at Room 501-02, 5/F, Building 6, 690 Bibo Road, Pudong New District, Shanghai, China on Monday, 22 December 2025 at 10:00 a.m. is set out on pages EGM-1 to EGM-5 of this circular for the purpose of considering and, if thought fit, approving the Proposed Merger, the Whitewash Waiver, the Specific Mandate, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company, the Retention Plan and the proposed adoption of the One-off Share Option Plan.

Pursuant to Rule 14.55 of the Listing Rules, the Stock Exchange will require any Shareholder and his close associates to abstain from voting at the EGM on the relevant resolution(s) if such shareholder has a material interest in the transaction. Further, as the Proposed Merger, if materialises, will result in a change in control of the Company as referred to in Rule 14.06B of the Listing Rules, any person or group of persons that will cease to be a controlling Shareholder (the “**outgoing controlling shareholder**”) by virtue of a disposal of his shares to the person or group of persons gaining control (the “**incoming controlling shareholder**”), any of the incoming controlling shareholder’s close associates or an independent third party, then the outgoing controlling shareholder and his close associates may not vote in favour of any resolution approving an injection of assets by the incoming controlling shareholder or his close associates at the time of the change in control. As at the Latest Practicable Date, the Company does not have any outgoing controlling Shareholder for the purposes of Rule 14.55 of the Listing Rules.

Each of the Shareholder Personnel (who remained employees of the Group) was a Shareholder of the Company as at the Latest Practicable Date. Accordingly, each Shareholder Personnel (who remained employees of the Group) and his/her respective associates and concert parties will abstain from voting on the relevant resolution(s) relating to the Retention Agreement and the Retention Plan, the Proposed Merger and the Whitewash Waiver.

Save as disclosed above, no other Shareholders or any of their associates or parties acting in concert with any of them is interested or involved in or has any material interest in the Proposed Merger, the Whitewash Waiver, the Specific Mandate, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company, the Retention Plan of the Shareholder Personnel and the proposed adoption of the One-off Share Option Plan. Accordingly, no other Shareholder will be required to abstain from voting on the relevant(s) resolutions approving the Proposed Merger, the Whitewash Waiver, the Specific Mandate, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company, the Retention Plan of the Shareholder Personnel and the proposed adoption of the One-off Share Option Plan.

LETTER FROM THE BOARD

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM or any adjourned meeting in person, please complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the proxy form shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the following documents in this circular:

- (i) the letter from the Listing Rules IBC set out on pages 111 to 112 of this circular, containing its recommendation to the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor;
- (ii) the letter from the Takeovers Code IBC set out on pages 113 to 114 of this circular, containing its recommendation to the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor; and
- (iii) and the letter from the Independent Financial Adviser set out on pages 115 to 151 of this circular, containing its advice to (i) the Listing Rules IBC and the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor, and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel, and as to voting therefor.

GENERAL

Shareholders and potential investors should note that the Merger Closing is subject to the fulfilment or waiver (as the case may be) of the Merger Conditions Precedent. In addition, the Listing Committee of the Stock Exchange may or may not approve the New Listing Application to be made by the Company. In the event that approval of the New Listing Application is not granted, the Merger Agreement will not become unconditional and the Proposed Merger will not proceed.

The Executive may or may not grant the Whitewash Waiver. It is one of the Merger Conditions Precedent that the Whitewash Waiver has been granted. In the event that the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver and the Proposed Merger are not approved by the Independent Shareholders at the EGM, the Merger Agreement will not become unconditional and the Proposed Merger will not proceed.

As the Merger Closing may or may not take place, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Target Group and other information required to be disclosed under the Listing Rules and the Takeovers Code.

By order of the Board

Genor Biopharma Holdings Limited

Mr. Weng Chengyi

Executive Director and Chief Financial Officer

LETTER FROM THE LISTING RULES IBC

The following is the full text of the letter from the Listing Rules IBC setting out its recommendation to the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor.



GENOR BIOPHARMA HOLDINGS LIMITED

嘉和生物藥業(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6998)

5 December 2025

To Independent Shareholders

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION –
PROPOSED MERGER BETWEEN THE MERGER SUB AND
THE TARGET INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE;**
- (2) REVERSE TAKEOVER INVOLVING THE NEW LISTING APPLICATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF
THE SHAREHOLDER PERSONNEL;**
- (5) PROPOSED CHANGE OF COMPANY NAME;**
- (6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY;**
- (7) PROPOSED ADOPTION OF THE ONE-OFF SHARE OPTION PLAN;**
- AND**
- (8) NOTICE OF EGM**

We refer to the circular of Genor Biopharma Holdings Limited dated 5 December 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

We have been appointed as members of the Listing Rules IBC to advise you in connection with the Retention Plan of Mr. Weng and as to voting therefor, details of which are set out in the “Letter from the Board” of the Circular.

Somerley has been appointed as the Independent Financial Adviser to advise the Listing Rules IBC and the Independent Shareholders on the fairness and reasonableness of the Retention Plan of Mr. Weng, and as to voting therefor.

LETTER FROM THE LISTING RULES IBC

We wish to draw your attention to the “Letter from the Independent Financial Adviser” as set out on pages 115 to 151 of the Circular, which contains its advice and recommendation to us and the Independent Shareholders and its recommendation to Independent Shareholders on the fairness and reasonableness of the Retention Plan of Mr. Weng, and as to voting therefor.

Having considered the reasons for and benefits of the Retention Plan of the Shareholder Personnel as set out in the Circular, the terms of the Retention Plan of Mr. Weng, the reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter of advice, and the relevant information contained in the “Letter from the Board”, we are of the opinion that the Retention Plan of Mr. Weng and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions relating to the Retention Plan of Mr. Weng to be proposed at the EGM.

Yours faithfully,
the Listing Rules IBC

Ms. Cui Bai

Mr. Fung Edwin

Mr. Chen Wen

Independent Non-executive Directors

LETTER FROM THE TAKEOVERS CODE IBC

The following is the full text of the letter from the Takeovers Code IBC setting out its recommendation to the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor.



GENOR BIOPHARMA HOLDINGS LIMITED

嘉和生物藥業(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6998)

5 December 2025

To Independent Shareholders

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PROPOSED MERGER BETWEEN THE MERGER SUB AND THE TARGET INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;**
- (2) REVERSE TAKEOVER INVOLVING THE NEW LISTING APPLICATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF THE SHAREHOLDER PERSONNEL;**
- (5) PROPOSED CHANGE OF COMPANY NAME;**
- (6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY;**
- (7) PROPOSED ADOPTION OF THE ONE-OFF SHARE OPTION PLAN;**
- AND**
- (8) NOTICE OF EGM**

We refer to the circular of Genor Biopharma Holdings Limited dated 5 December 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

We have been appointed as members of the Takeovers Code IBC to advise you in connection with the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor, details of which are set out in the “Letter from the Board” of the Circular.

LETTER FROM THE TAKEOVERS CODE IBC

Somerley has been appointed with the approval of the Takeovers Code IBC as the Independent Financial Adviser to advise the Takeovers Code IBC and the Independent Shareholders on the fairness and reasonableness of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor.

We wish to draw your attention to the “Letter from the Independent Financial Adviser” as set out on pages 115 to 151 of the Circular, which contains its advice and recommendation to us and the Independent Shareholders and its recommendation to Independent Shareholders on the fairness and reasonableness of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor.

Having considered the reasons for and benefits of the Proposed Merger, Whitewash Waiver and the Retention Plan of the Shareholder Personnel as set out in the Circular, the terms of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel, the reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter of advice, and the relevant information contained in the “Letter from the Board”, we are of the opinion that the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions relating to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel to be proposed at the EGM.

Yours faithfully,
the Takeovers Code IBC

Mr. Yu Tieming

Mr. Liu Yi

Non-executive Directors

Ms. Cui Bai

Mr. Fung Edwin

Mr. Chen Wen

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Listing Rules IBC and the Takeovers Code IBC and the Independent Shareholders in connection with the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel.



SOMERLEY CAPITAL LIMITED

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

5 December 2025

To: The Listing Rules IBC and the Takeovers Code IBC and the Independent Shareholders

Dear Sirs,

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION –
PROPOSED MERGER BETWEEN
THE MERGER SUB AND THE TARGET INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) REVERSE TAKEOVER INVOLVING THE NEW LISTING APPLICATION;
(3) APPLICATION FOR WHITEWASH WAIVER; AND
(4) SPECIAL DEAL IN RELATION TO THE RETENTION PLAN OF
THE SHAREHOLDER PERSONNEL**

INTRODUCTION

We refer to our appointment to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and (ii) the Takeovers Code IBC in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder. Details of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) dated 5 December 2025, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 13 September 2024 (before trading hours), the Company, the Target and the Merger Sub (a wholly-owned subsidiary of the Company) entered into the Merger Agreement. Subject to the terms and conditions in the Merger Agreement and in accordance with the Cayman Companies Act, the Company will acquire the Target by way of merger whereby, at the Merger Effective Time, the Merger Sub will be merged with and into the Target, with the Target as the surviving entity and becoming a wholly-owned subsidiary of the Company, and in consideration therefor, the Company will allot and issue Consideration Shares to the Target

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders. At the Merger Effective Time, each Target Share issued and outstanding immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares based on the Share Exchange Ratio subject to adjustments applicable to the Taxable Target Shareholders and the Target Controlling Shareholders. Accordingly, all Target Shareholders will become Shareholders of the Company upon the Merger Closing.

On 13 September 2024, the Company and the Target entered into conditional Retention Agreements in relation to the retention of the Shareholder Personnel of the Group upon the Merger Closing subject to terms and conditions as set out in the section headed “*Special Deal in relation to the Retention Plan of the Shareholder Personnel*” in the Letter from the Board.

As Mr. Ni, the controlling shareholder of the Target, will upon the Merger Closing become a controlling Shareholder of the Company and thus a “controller” of the Company within the meaning of Rule 14A.28 of the Listing Rules, the Proposed Merger constitutes a connected transaction of the Company pursuant to Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratio(s) calculated in accordance with the Listing Rules in respect of the Proposed Merger is more than 5%, the Proposed Merger is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, neither Mr. Ni nor parties acting in concert with him (being Talent Creation and Chinapharm Group) owned, controlled or directed any Shares. Immediately upon the Merger Closing, based on the Presumed Maximum Share Exchange Ratio, assuming that (a) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, (b) there is no Taxable Target Shareholder, and (c) none of the Converted Options under the One-off Share Option Plan has been exercised, Mr. Ni and parties acting in concert with him will be interested in 856,999,254 Shares, representing approximately 37.24% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares upon the Merger Closing. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, upon the Merger Closing, Mr. Ni will be required to make a conditional mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Mr. Ni and parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. An application to the Executive for the Whitewash Waiver has been made by Mr. Ni pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Merger Closing is conditional on, among other things, the grant of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholder at the EGM. If the Whitewash Waiver is not granted or is withdrawn or revoked by the Executive or is not approved by the Independent Shareholders at the EGM, the Proposed Merger will not become unconditional and will not proceed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Retention Plan constitutes an arrangement between the Company and each of the Shareholder Personnel, each being a Shareholder, and such arrangement has favourable conditions which are not extended to all other Shareholders, the Retention Plan constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the implementation of the Retention Agreements and the Retention Plan will require consent of the Executive. Such consent, if granted, will be subject to (a) we, as the Independent Financial Adviser, publicly stating that in our opinion the terms of the Retention Agreements and the Retention Plan are fair and reasonable; and (b) the Retention Agreements and the Retention Plan are approved by the Independent Shareholders at the EGM.

As Mr. Weng, an executive Director, is a connected person of the Company, any amendment to terms of the RSU granted to him under the 2021 RSU Plan, which was not subject to then applicable Chapter 17 of the Listing Rules, pursuant to the Retention Plan of Mr. Weng shall be subject to the approval of the Independent Shareholders at the EGM pursuant to Chapter 14A of the Listing Rules.

The Takeovers Code IBC, comprising Mr. Yu Tieming and Mr. Liu Yi (each a non-executive Director), and Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen (each an independent non-executive Director) who have no direct or indirect interest in the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, has been formed for the purpose of advising the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder, and as to voting therefor, pursuant to Rule 2.8 of the Takeovers Code. The Listing Rules IBC, comprising Ms. Cui Bai, Mr. Fung Edwin and Mr. Chen Wen (each an independent non-executive Director) has been formed in accordance with the Listing Rules for the purposes of advising the Independent Shareholders in respect of the Retention Plan of Mr. Weng, and as to voting therefor, pursuant to Rule 14A.39 of the Listing Rules. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in such regards.

We are not associated or connected with the Company, the Target, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. In addition, save for our appointment as the Independent Financial Adviser, as at the Latest Practicable Date, we did not have any relationship with the Company, the Target, or their respective core connected persons or associates that could reasonably be regarded as relevant to our independence nor has there been any other engagement between the Company and ourselves in the last two years. Accordingly, we are considered eligible to give independent advice on the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Target, or their respective core connected persons or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the “**Management**”), which we have assumed to be true, accurate and complete in all material respects. We have reviewed information on the Company, including but not limited to (i) the annual reports of the Company for years ended 31 December 2022 (“**FY2022**”) (the “**2022 Annual Report**”), 2023 (“**FY2023**”) (the “**2023 Annual Report**”), and 2024 (“**FY2024**”) (the “**2024 Annual Report**”), and the interim report of the Company for the six months ended 30 June 2025 (“**1H2025**”) (the “**2025 Interim Report**”) (collectively, the “**Financial Reports**”); (ii) the Merger Agreement and the Retention Agreements; (iii) the prospectus of the Company dated 23 September 2020 (the “**Prospectus**”); and (iv) the Announcement and other information contained in the Circular, including but not limited to, the accountant’s report of the Target Group for FY2022, FY2023, FY2024 and 1H2025 as set out in Appendix I of the Circular and the valuation report of the Target Group (the “**Valuation Report**”) as set out in Appendix V of the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Group and have assumed, in relation to the information and facts, that they were true, accurate and complete in all material aspects and in relation to any opinions that they were honestly held at the time they were made and that this will remain the case in all material respects up to the date of the EGM. We have also sought and received confirmation from the Company that all material relevant information related to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel has been supplied to us and no material facts related to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We have not encountered any “red flag” which would give us reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the business and affairs of the Group and the Target nor have we carried out any independent verification of the information supplied. The Shareholders will be notified of any material changes to such information and representations or any change to our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel, we have considered the following principal factors and reasons:

A. The Proposed Merger

1. Information on the Group

1.1 Principal business of the Group

The Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs in the PRC. The Merger Sub is a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. It was formed by the Company solely for the purpose of merging with and into the Target pursuant to the Merger Agreement in order to effect the Proposed Merger.

As set out in the Prospectus, at listing, the Company had three Core Products (as defined under Chapter 18A of the Listing Rules), namely GB221, GB226 and GB242, and three other key drugs, namely GB491, GB492 and GB223. Since its listing, the Group has invested in the research, development and marketing of the drug candidates set out in the Prospectus, as well as researching and developing other new drug candidates, namely GB241, GB251, GB261, GB268 and GB263T. As disclosed in the announcement of the Company dated 29 May 2025, the NMPA has granted the NDA for GB491.

1.2 Financial information of the Group

Set out below is a summary of the Group's financial performance for FY2022, FY2023, FY2024, 1H2024 and 1H2025, as extracted from the respective Financial Reports:

	FY2022	FY2023	FY2024	1H2024	1H2025
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
				<i>(Restated)</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	15,932	–	206,229	14,470	32,245
Gross Profit	14,949	–	204,888	14,121	32,245
Operating loss	(782,719)	(711,196)	(72,553)	(139,580)	(65,709)
Loss for the year/period					
attributable to owners of the					
Company	(730,214)	(674,362)	(51,283)	(134,465)	(54,266)
Basic loss per share					
attributable to the ordinary					
equity holders of the					
Company (RMB)	(1.45)	(1.33)	(0.10)	(0.26)	(0.10)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1H2025 vs 1H2024

Total revenue of the Group for 1H2025 was approximately RMB32.2 million, mainly attributable to license and stock purchase agreements with TRC 2004, Inc., as compared with approximately RMB14.5 million for 1H2024. During 1H2025, the Class 1 innovative drug Lerociclib (product name: Rujianing) has been approved by the NMPA.

The Group's operating loss substantially decreased from approximately RMB139.6 million for 1H2024 to approximately RMB65.7 million for 1H2025. Such improvement was mainly due to (i) the increase in revenue as discussed above; (ii) the decrease in R&D expenses by 32.0% from approximately RMB109.7 million for 1H2024 to approximately RMB74.6 million for 1H2025, mainly as a result of the decrease in employee benefits expenses for R&D personnel and decrease in new drugs development fees and clinical trial expenses; and (iii) the decrease in administrative expenses by approximately 34.8% from approximately RMB38.5 million for 1H2024 to approximately RMB25.1 million for 1H2025, mainly as a result of the decrease in employee benefits expenses. Together with (i) the increase in finance income (net of finance costs) mainly comprised of interest income from bank deposits from approximately RMB3.2 million for 1H2024 to approximately RMB15.7 million for 1H2025, and (ii) the change in an income tax credit of approximately RMB1.3 million for 1H2024 to an income tax expenses of approximately RMB4.4 million for 1H2025, the loss attributable to owners of the Company substantially decreased from approximately RMB134.5 million for 1H2024 to approximately RMB54.3 million for 1H2025.

FY2024 vs FY2023

For FY2024, the Group reported revenue of approximately RMB206.2 million, as compared to nil for FY2023, mainly attributable to the license and stock purchase agreements with TRC 2004, Inc. (a company co-founded by two leading biotech funds, Two River, LLC and Third Rock Ventures). During FY2024, the Group successfully completed the patient enrolment for the Phase III clinical study of GB491 (Lerociclib) and received submission acceptance of the NDA from the NMPA.

The Group's operating loss substantial decreased from approximately RMB711.2 million in FY2023 to approximately RMB72.6 million in FY2024. This improvement is primarily due to (i) the revenue derived from the license and stock purchase agreements with TRC 2004, Inc.; (ii) the reductions in R&D expenses by 64.1% from approximately RMB564.3 million in FY2023 to approximately RMB202.8 million in FY2024, primarily due to (a) the decrease in employee benefits expenses for research and development personnel; (b) the decrease in new drugs development fee and clinical trial expenses; and (c) the decrease in raw material and consumables used; (iii) the decrease in administrative expenses by 42.7% from approximately RMB125.2 million in FY2023 to approximately RMB71.7 million in FY2024, primarily due to the decrease in employee benefits expenses; and (iv) the increase in net other income from approximately RMB5.6 million in FY2023 to approximately RMB37.1 million in FY2024 as a result of the increase in government grants. As a result, the loss attributable to owners of the Company in FY2024 substantial decreased by approximately 92.4% compared to FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2023 vs FY2022

For FY2023, the Group did not recognise any revenue.

The operating loss of the Group decreased from approximately RMB782.7 million in FY2022 to approximately RMB711.2 million in FY2023. This improvement is primarily attributed to the absence of selling expenses and a reduction in R&D expenses for FY2023. As noted in the 2023 Annual Report, the lack of selling expenses is mainly due to a decrease in the number of commercial employees. R&D expenses decreased by approximately 3.4%, from approximately RMB583.9 million in FY2022 to around RMB564.3 million in FY2023. This decline is primarily due to (i) reduced employee benefits for R&D personnel, (ii) decrease in development fees for new drugs and clinical trial expenses, and (iii) decreased usage of raw materials and consumables. As a result, the loss attributable to the owners of the Company in FY2023 decreased by approximately 7.6% compared to FY2022.

As discussed above, the Group is still in pre-profit stage and a significant amount of investment were spent on R&D. As further discussed in the section headed “3. *Reasons for and benefits of the Proposed Merger*” below, the Company has reached a critical development stage which requires strong commercialisation capabilities to maximise and capture market opportunities. The Company’s key pipeline products are being developed at full speed and are approaching critical development stages, which require abundant and continuous cash flow to support the relevant R&D work. The Group is actively assessing these requirements and building the resources and capabilities needed to support the next stage of the Group’s development as an integrated biopharmaceutical company.

Set out below is a summary of the Group’s financial position as at 30 June 2025 as extracted from the 2025 Interim Report:

	As at 30 June 2025 (unaudited) RMB’000	% of total assets
Non-current assets		
Property, plant and equipment	3,809	0.3%
Right-of-use assets	724	0.1%
Intangible assets	168,658	12.7%
Equity investment designated at fair value through other comprehensive income	83,844	6.3%
Other receivables, deposits and prepayments	21,514	1.6%
Deferred income tax assets	9,143	0.7%
	287,692	21.7%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June 2025 (unaudited) RMB'000	% of total assets
Current assets		
Other receivables, deposits and prepayments	27,199	2.1%
Cash and bank balances	1,009,907	76.2%
	1,037,106	78.3%
		% of total liabilities
Current liabilities		
Trade payables	172,128	76.1%
Other payables and accruals	26,176	11.6%
Lease liabilities	356	0.2%
Deferred income	4,030	1.8%
Tax payable	7,861	3.5%
	210,551	93.1%
Non-current liabilities		
Lease liabilities	389	0.2%
Amounts due to a related party	482	0.2%
Deferred income	4,335	1.9%
Deferred income tax liabilities	10,333	4.6%
	15,539	6.9%
		As at 30 June 2025 (unaudited) RMB'000
Total equity		
Equity attributable to the ordinary equity holders of the Company		
Share capital		71
Share premium		9,489,059
Treasury shares		(747)
Other reserves		(1,493,856)
Accumulated losses		(6,895,885)
		1,098,642
Non-controlling interests		66
		1,098,708

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2025, the Group's total assets amounted to approximately RMB1,324.8 million, mainly comprised of (i) cash and bank balances of approximately RMB1,009.9 million; (ii) intangible assets of approximately RMB168.7 million; and (iii) equity investment designated at fair value through other comprehensive income of approximately RMB83.8 million.

As at 30 June 2025, the Group's total liabilities amounted to approximately RMB226.1 million, mainly comprised of (i) trade payables of approximately RMB172.1 million; and (ii) other payables and accruals of approximately RMB26.2 million.

As at 30 June 2025, the Group recorded net assets attributable to the ordinary equity holders of the Company of approximately RMB1,098.6 million. The gearing ratio of the Group, calculated as total liabilities divided by total assets, is approximately 17.1% as at 30 June 2025. The Group had no interest-bearing loans as at 30 June 2025.

2. Information on the Target

2.1 Principal business of the Target

As disclosed in the Letter from the Board, the Target is a company incorporated in the Cayman Islands with limited liability and is an integrated biopharmaceutical company focusing on research, development, and commercialisation of promising therapeutics in therapeutic areas with considerable demand in the PRC. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs with vast market potential. In over 20 years of operations, the Target Group has successfully brought multiple innovative drugs to market in China, reflecting its strong clinical development and management capabilities.

The Target Group's portfolio addresses medical needs in a large or fast-growing therapeutic area, including anti-infectives, CVD, respiratory system diseases and oncology. The product portfolio of the Target comprises six major products, including three commercialised originator-branded products (namely, Vancocin, Ceclor and FPN) and three innovative leading patented drug products (Vascepa, Mulpleta and Entinostat). For details of the Target's drug products, please refer to the section headed "*Business of the Target Group*" in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 Financial information of the Target

Set out below is the historical financial information of the Target Group for FY2022, FY2023, FY2024, 1H2024 and 1H2025 as extracted from the section headed “Financial Information of the Target Group” in the Circular.

	FY2022 <i>(audited)</i> RMB'000	FY2023 <i>(audited)</i> RMB'000	FY2024 <i>(audited)</i> RMB'000	1H2024 <i>(unaudited)</i> RMB'000	1H2025 <i>(audited)</i> RMB'000
Revenue					
<i>Originator-branded products</i>					
– Vancocin	1,007,081	1,068,828	1,262,893	711,588	716,719
– Ceclor	759,313	835,711	914,714	358,283	264,347
– FPN	195,336	287,365	215,466	198,459	46,837
<i>Innovative products</i>					
– Vascepa	16,599	61,377	77,495	50,165	72,259
– Mulpleta	–	10,764	237,320	130,983	3,797
<i>Other products</i>	68,118	67,318	75,306	32,990	38,939
<i>Discontinued products</i>	140,676	151,174	29,843	29,844	–
<i>Service income</i>	–	–	1,946	1,946	22,594
Gross revenue	2,187,123	2,482,537	2,814,983	1,514,258	1,165,492
<i>Less: Sales rebates and sales tax</i>	<i>(113,369)</i>	<i>(178,749)</i>	<i>(268,939)</i>	<i>(140,936)</i>	<i>(29,950)</i>
	2,073,754	2,303,788	2,546,044	1,373,322	1,135,542
Gross profit	1,368,434	1,505,693	1,716,285	924,127	759,617
Profit before tax	325,278	331,019	482,482	313,135	177,158
Profit for the year/period	306,345	308,019	387,886	272,013	114,566

1H2025 vs 1H2024

As set out in the Circular, the Target Group’s revenue decreased by 17.3% from RMB1,373.3 million for 1H2024 to RMB1,135.5 million for 1H2025, primarily reflecting a decrease in revenue from originator-branded products.

The Target Group’s gross revenue from originator-branded products decreased by 19.0% from RMB1,268.3 million for 1H2024 to RMB1,027.9 million for 1H2025. The Target Group’s sales volume of Vancocin remained relatively stable at 8.5 million doses for 1H2024 and 8.6 million doses for 1H2025. The Target Group’s sales volume of Ceclor decreased from 15.0 million doses for 1H2024 to 9.3 million doses for 1H2025, primarily because the anti-bacterial drug market in China slowed down in the first half of 2025 caused by factors such as the inclusion of more anti-bacterial drugs in centralized procurement, which reduced their price and compressed the market, and the normalization

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of anti-bacterial drug usage after the COVID-19 pandemic, which had previously been at a high level. However, with the gradual increase in innovative anti-bacterial drugs and the slow rise in the prevalence of related indications, the retail business continued to grow in the second half of the year, in line with their strategic plan. The Target Group's sales volume of FPN decreased from 21.1 million doses for 1H2024 to 5.6 million doses for 1H2025, primarily due to the Target Group's ongoing update of market access of domestically manufactured FPN in China. The Target Group expects to gradually recover from the update of market access in 2026.

The Target Group's profit for 1H2025 decreased by 57.9% from RMB272.0 million to RMB114.6 million compared to 1H2024, mainly attributable to (i) the decrease in revenue as mentioned above; and (ii) the decrease in gross profit margin from 67.3% for 1H2024 to 66.9% for 1H2025, primarily attributable to the decrease in gross profit margin for Ceclor as a result of lower sales volume, which was partially offset by an increase in gross profit margin of Vancocin, primarily attributable to lower international logistics costs as the Target Group obtained more favorable pricing terms following the renewal of agreements with its international logistics service providers.

FY2024 vs FY2023

As set out in the Circular, the Target Group's revenue increased by 10.5% from RMB2,303.8 million for FY2023 to RMB2,546.0 million for FY2024, primarily reflecting an increase in revenue from originator-branded products.

The Target Group's gross revenue from originator-branded products increased by 9.2% from RMB2,191.9 million for FY2023 to RMB2,393.1 million for FY2024. The Target Group's sales volume of Vancocin increased from 12.7 million doses for FY2023 to 15.0 million doses for FY2024, in line with the strong market demand for Vancocin and the Target Group's ability to meet such demand. The Target Group's sales volume of Ceclor increased from 37.9 million doses for FY2023 to 40.3 million doses for FY2024, primarily due to more out-of-hospital retail sales of Ceclor. The Target Group's sales volume of FPN decreased from 30.6 million doses for FY2023 to 24.4 million doses for FY2024 primarily because FPN became domestically manufactured in 2024 and the Target Group has been undergoing an update of market access of domestically manufactured FPN in China. During this period, the Target Group is required to update the tendering process and implement the new distribution arrangements where applicable. The Target Group expects to gradually recover from the update of market access in 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Target Group's profit for the year increased by 25.9% from RMB308.0 million for FY2023 to RMB387.9 million for FY2024, mainly attributable to (i) the increase in revenue as mentioned above; (ii) the increase in gross profit margin from 65.4% for FY2023 to 67.4% for FY2024, primarily attributable to increases in gross profit margin of Vancocin and Ceclor and the inclusion of Mulpleta which had a higher-than-average gross margin; and (iii) the increase in other income and gains from RMB10.8 million for FY2023 to RMB105.3 million for FY2024, primarily because the Target Group incurred a compensation gain of RMB84.7 million for FY2024 arising from negotiated settlements related to the termination of several discontinued products.

FY2023 vs FY2022

As set out in the Circular, the Target Group's revenue increased by 11.1% from RMB2,073.8 million for FY2022 to RMB2,303.8 million for FY2023, primarily reflecting an increase in revenue from originator-branded products.

The Target Group's gross revenue from originator-branded products increased by 11.7% from RMB1,961.7 million for FY2022 to RMB2,191.9 million for FY2023. The Target Group's sales volume of Vancocin increased from 11.9 million doses in 2022 to 12.7 million doses in 2023 primarily due to resumption of full hospital operations after the pandemic. The Target Group's sales volume of Ceclor increased from 36.6 million doses in 2022 to 37.9 million doses in 2023 primarily because the Target Group continued to expand out-of-hospital retail sales channels. The Target Group's sales volume of FPN increased from 21.9 million doses in 2022 to 30.6 million doses in 2023 primarily because the Target Group successfully expanded the sales network for FPN to more hospitals.

The Target Group's profit for the year increased by 0.5% from RMB306.3 million for FY2022 to RMB308.0 million for FY2023, mainly attributable to the combined effect of (i) the increase in revenue as mentioned above; (ii) the slight decrease in gross profit margin from 66.0% for FY2022 to 65.4% for FY2023, primarily attributable to a slightly declined gross profit margin of Vancocin as a result of increased international logistics costs, offset in part by increases in gross profit margin for Ceclor and FPN; (iii) the increase in administrative expenses by 168.0% from RMB68.0 million for FY2022 to RMB182.2 million for FY2023; (iv) the increase in R&D expenses by 31.1% from RMB95.3 million for FY2022 to RMB125.0 million for FY2023; and (v) the decrease in net finance costs by 5.8% from RMB293.3 million for FY2022 to RMB276.2 million for FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of financial position of the Target Group as at 31 December 2022, 2023, 2024 and 30 June 2025, as extracted from the section headed “Financial Information of the Target Group” in the Circular.

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000			
Non-current assets				
Property, plant and equipment	258,667	271,171	270,153	275,786
Prepayments, other				
receivables and other assets	405,724	231,992	166,544	168,321
Deferred tax assets	9,796	40,026	37,357	47,236
Right-of-use assets	34,844	49,434	50,636	63,454
Goodwill	112,055	112,055	112,055	112,055
Other intangible assets	2,710,705	2,979,919	3,053,266	2,951,185
Financial asset at fair value				
through profit or loss	50,000	50,000	50,000	50,000
Total non-current assets	3,581,791	3,734,597	3,740,011	3,668,037
Current assets				
Inventories	368,073	306,151	552,776	534,866
Trade and bills receivables	362,835	367,810	319,524	137,475
Prepayments, other				
receivables and other assets	38,258	45,715	82,575	75,887
Amounts due from a related				
party	–	–	120	120
Due from the Controlling				
Shareholder	172,460	223,304	237,582	238,944
Pledged deposits	428	404	395,740	335,630
Cash and cash equivalents	537,635	467,127	111,703	778,462
Total current assets	1,479,689	1,410,511	1,700,020	2,101,384

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Current liabilities				
Trade payables	248,173	187,764	332,164	196,142
Other payables and accruals	367,967	417,604	451,232	317,395
Refund liabilities	37,059	31,823	50,141	26,331
Interest-bearing bank and other borrowings	1,647,619	2,382,929	1,993,140	1,888,436
Dividends payable	10,813	49,525	50,264	50,144
Liability component of puttable ordinary shares	69,646	—	—	—
Tax payables	20,693	29,075	60,899	93,941
Lease liabilities	8,074	14,525	13,951	18,868
Total current liabilities	2,410,044	3,113,245	2,951,791	2,591,257
Net current liabilities	(930,355)	(1,702,734)	(1,251,771)	(489,873)
Total assets less current liabilities	2,651,436	2,031,863	2,488,240	3,178,164
Non-current liabilities				
Interest-bearing bank borrowings	722,051	—	—	530,720
Deferred tax liabilities	1,935	2,149	11,563	13,810
Lease liabilities	14,943	24,133	27,038	35,794
Other liabilities	—	40,706	40,077	42,906
Total non-current liabilities	738,929	66,988	78,678	623,230
Net assets	1,912,507	1,964,875	2,409,562	2,554,934

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2025, total assets of the Target Group amounted to approximately RMB5,769.4 million, mainly comprised of (i) other intangible assets of approximately RMB2,951.2 million; (ii) cash and cash equivalents of approximately RMB778.5 million; (iii) inventories of approximately RMB534.9 million; (iv) pledge deposits of approximately RMB335.6 million; and (v) property, plant and equipment of approximately RMB275.8 million. As set out in the section headed “*Financial Information of the Target Group*” in the Circular, the Target Group’s other intangible assets represent (i) its know-how licenses and medical rights for Vancocin, Ceclor, FPN and Mulpleta amounting to approximately RMB2,151.0 million; (ii) its exclusive distribution rights and medicine licenses for Vascepa, Mulpleta, Recormon and Jing Zhu Da of approximately RMB374.4 million; (iii) its trademarks for Vancocin and Ceclor of approximately RMB400.5 million; and (iv) software to support its daily operation management of approximately RMB25.3 million.

As at 30 June 2025, total liabilities of the Target Group amounted to approximately RMB3,214.5 million, mainly comprised of (i) interest-bearing bank and other borrowings of approximately RMB2,419.2 million; (ii) other payables and accruals of approximately RMB317.4 million; and (iii) trade payables of approximately RMB196.1 million.

As set out in the section headed “*Financial Information of the Target Group*” in the Circular, the Target Group’s bank loans and other borrowings were primarily used for its acquisitions of drug assets and to supplement its working capital. The Target Group obtained certain interest-bearing bank and other borrowings to finance the Target Group’s strategic acquisition of long-term assets relating to Vancocin and Ceclor in October 2019 and relating to FPN in May 2020, and the relevant liabilities are reflected on the Target Group’s balance sheet as interest-bearing bank and other borrowings and liability component of puttable ordinary shares (the “**Acquisition Borrowings**”). After its acquisition of Vancocin, Ceclor and FPN, the Target Group generated increasing revenue, gross profit as well as cash from these products. The total balance of Acquisition Borrowings continuously decreased as the Target Group settled a portion of its Acquisition Borrowings and settled all of the warrants attached to the Acquisition Borrowings. The Target Group’s overall debt-to-equity ratio, calculated by the total bank and other borrowings divided by total equity as at the end of each period, decreased from 1.24 as at 31 December 2022 to 0.95 as at 30 June 2025.

The net assets of the Target Group continued to increase during the Track Record Period, from approximately RMB1,912.5 million as at 31 December 2022, to approximately RMB1,964.9 million as at 31 December 2023, to approximately RMB2,409.6 million as at 31 December 2024, and to approximately RMB2,554.9 million as at 30 June 2025.

2.3 *Industry overview*

The section headed “*Industry Overview*” (the “**Industry Overview**”) as set out in the Circular includes a comprehensive overview of the pharmaceutical market in China, which is summarised as follow:

- (a) The pharmaceutical market in China is highly fragmented. There are more than 10,000 pharmaceutical companies in China. Pharmaceutical companies with competitive commercialised and pipeline product portfolios, manufacturing and supply chain management capabilities and well-established nationwide sales and marketing networks are well-positioned to seize opportunities to expand and benefit from industry development to increase market share.
- (b) With increasing disposable income, an ageing population, rising health awareness and life expectancy and implementation of healthcare reform plans, China’s total healthcare expenditure has experienced significant growth, and China’s pharmaceutical market has also grown rapidly, and is expected to reach RMB2 trillion in 2027 at a CAGR of 7.1% from 2024 and RMB2.5 trillion in 2030 at a CAGR of 6.3% from 2027.
- (c) The Target Group strategically focuses on some of the largest therapeutic areas or the fastest-growing and emerging therapeutic areas, including anti-infectives, CVD, respiratory system diseases and oncology. These therapeutic areas feature large market size and disease burden or high growth rate with limited innovative therapeutics available. The expected CAGR of the market size in China from 2024 to 2030 in the Target Group’s therapeutic areas ranges from approximately 0.1% to 10.2% and is expected to continue to grow at a CAGR ranging from approximately 1.2% to 9.2% during the period 2030 to 2035.

According to the Industry Overview, major market entry barrier in the pharmaceutical market include (i) long return period as the development cycle of a new pharmaceutical product may last more than 15 years; (ii) significant capital investment in R&D, facilities and technical personnel; and (iii) stringent regulatory landscape in the PRC pharmaceutical market.

We note that the Industry Overview was prepared by Frost & Sullivan, an independent global consulting company with profound experience in providing market researches on various industries for listing applicants in Hong Kong, who has been commissioned to conduct a detailed analysis and to prepare an industry report on the pharmaceutical market in the PRC. Its report is prepared independent from the Target Group’s influence and based on its in-house database, Independent Third Party reports and publicly available data from reputable industry organisations. Frost & Sullivan has conducted analysis on projected figures based on historical data, macroeconomic data and specific industry related drivers, and reviewed annual reports of listed companies in the global and PRC pharmaceutical markets. We are of the view that Frost & Sullivan has relevant experience and expertise in preparing the independent industry report and the Industry Overview provides the Independent Shareholders with its analysis on the market outlook for the pharmaceutical market in the PRC, with a detailed focus on the Target Group’s key therapeutic areas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the foregoing, we consider that the pharmaceutical market in China, including the Target Group's targeted sub-therapeutic areas, is expected to continue to grow, and the optimistic factors, stringent regulatory environment and entry barriers may support the business and financial performance of the Target Business in the future.

3. Reasons for and benefits of the Proposed Merger

As set out in the Letter from the Board, the Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs and has been striving to provide innovative therapeutics initially for patients in China and gradually for patients globally through building rich and innovative drug candidates and pipelines.

Since its listing, the Group has made significant progress in advancing its drug candidates towards commercialisation. To date, the Group has obtained (i) NDA approval for GB242, an infliximab (Remicade) biosimilar, from the NMPA and (ii) NDA approval for GB491, a differentiated CDK4/6i, (a) in combination with fulvestrant for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients with disease progression following endocrine therapy and (b) in combination with an aromatase inhibitor for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients as initial endocrine-based therapy, from the NMPA. The Group is also actively advancing the research and development of key pipeline assets, including GB261, a novel CD3/CD20 bispecific T-cell engager, GB263T, an EGFR/cMET/cMET tri-specific antibody drug, and GB268, an innovative tri-specific antibody targeting PD-1, CTLA-4 and VEGF.

With two commercial or near-commercial assets, the Company has reached a critical development stage which requires strong commercialisation capabilities to maximise and capture market opportunities. At the same time, the Company's key pipeline products are being developed at full speed and approaching critical development stages, which require abundant and continuous cash flow to support the relevant R&D work. The Group also endeavors to optimise its multi-specific antibody innovative drug discovery technology platform, which has been proven through numerous clinical-stage drug candidates and a significant out-licensing deal entered into with TRC 2004, Inc. (whose rights thereunder were subsequently assigned to Candid Therapeutics, Inc. following the merger between Candid Therapeutics, Inc and TRC 2004, Inc. in August 2024) with deal value of a double-digit U.S. million dollar upfront payment and up to US\$443 million in milestone payments, in addition to royalty payments and equity in the licensee. With these historical accomplishments and future goals in mind, the Group is actively assessing and building the resources and capabilities needed to support the next stage of the Group's development as an integrated biopharmaceutical company.

Having evaluated a number of potential target companies, the Board considers that it will be in the interest of the Company and the Shareholders as a whole to effect a merger with the Target Group. The Target Group brings (a) a diversified portfolio of innovative leading patented drugs and originator-branded drugs; (b) strong sales and marketing network to support pipeline commercialisation; (c) robust financial performance supporting future R&D endeavors; and (d) advanced manufacturing platforms and global supply chain system. For detailed information, please refer to the section headed "*Reasons for and benefits of the Proposed Merger*" of the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, the consideration of the Proposed Merger is to be wholly settled by way of issuing Consideration Shares and there would be no cash outlay by the Group, and together with an approximate RMB669.9 million of Remaining IPO Proceeds as at 31 December 2024 as set out in the section headed “*Proposed Use of the Remaining IPO Proceeds upon the Merger Closing*” in the Letter from the Board, the Enlarged Group will have sufficient cash resources to develop and expand its business following the Merger Closing.

The Proposed Merger is a key step for the Company to transform into a developed and fully integrated biopharmaceutical company. The production operations, international supply chain management, MAH management capabilities and commercialisation capabilities possessed by the Target are crucial to the commercialisation and launch of originator-branded drug products. The strong financial performance and positive cash flow of the Target should allow the Target Group to maintain its leading position in researching and developing innovative drug products. The Proposed Merger is expected to bring complementary and synergetic effects to both the Group and the Target Group and lay an important foundation for the sustainable development of the Enlarged Group post-Merger Closing.

Based on the reasons above, coupled with the industry prospects and financial information of the Target Group as discussed in the section headed “*2. Information on the Target*” above, we concur with the Directors’ view that the Proposed Merger is in the interests of the Shareholders as a whole.

4. Principal terms of the Merger Agreement

4.1 The Proposed Merger

Pursuant to the Merger Agreement, the Proposed Merger will be implemented as follows:

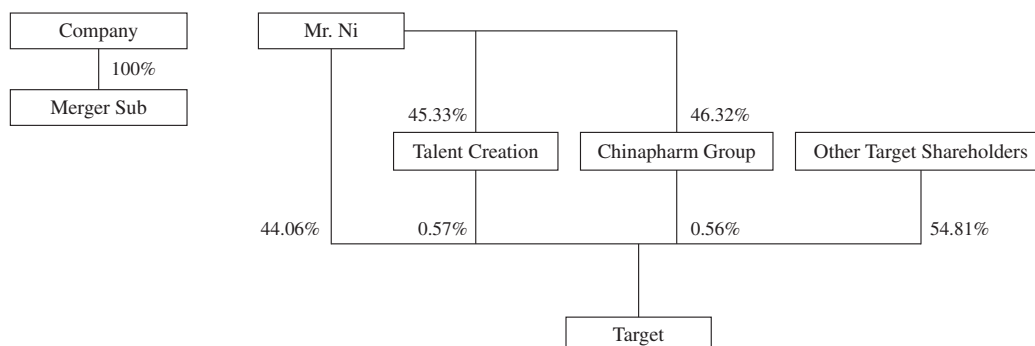
- (1) subject to the terms and conditions in the Merger Agreement, upon the Unconditional Date (or on such later date as agreed by the Company and the Target in writing), the Company shall procure the Merger Sub, and the Merger Sub and the Target shall execute and file with the Cayman Registrar the Plan of Merger and such other documents as required to give effect to the Proposed Merger under the Cayman Companies Act and other applicable laws;
- (2) subject to the terms and conditions in the Merger Agreement, at the Merger Effective Time, (i) the Merger Sub will be merged with and into the Target, following which separate existence of the Merger Sub will cease and the Target will continue as the surviving company and become a wholly-owned subsidiary of the Company, and (ii) all the assets, rights, powers, privileges, immunities, obligations, liabilities, duties and undertakings of the Merger Sub will be vested in or assumed by the Target;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

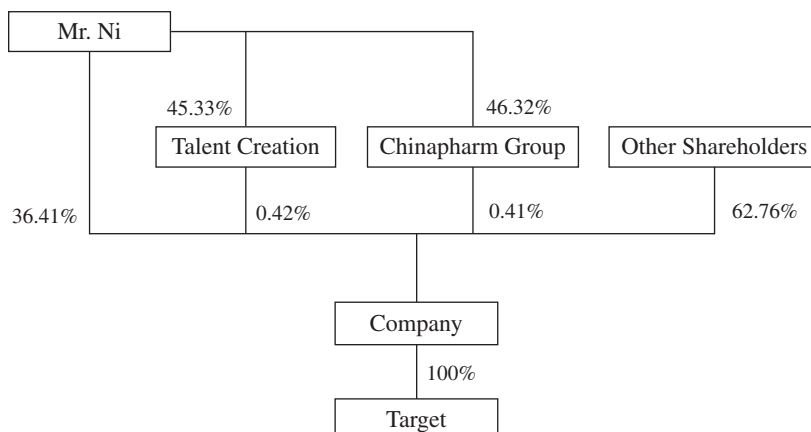
- (3) pursuant to the Merger Agreement, at the Merger Effective Time, all Directors in office immediately before the Merger Effective Time (except for the Remaining Director) will resign (which shall take effect no later than the Merger Effective Time), and the Board, upon appointment of the new Directors to be designated by the Target (details of the Board changes are set out in the section headed “*Proposed Changes to the Board upon the Merger Closing*” in the Letter from the Board) at the Merger Effective Time, will comprise seven (7) Directors; and
- (4) immediately following the Merger Effective Time, each issued and outstanding ordinary share of the Merger Sub immediately prior to the Merger Effective Time shall be automatically converted into one validly issued and fully paid ordinary share of the Target (such ordinary share of the Target shall constitute the only issued and outstanding share in the share capital of the Target) and be held by the Company.

As disclosed in the Letter from the Board, assuming no Taxable Target Shareholder, set out below are (i) the simplified corporate structure chart of the Group and the Target Group immediately prior to the Merger Closing, and (ii) the simplified corporate structure chart of the Enlarged Group immediately upon the Merger Closing and the allotment and issue of Consideration Shares based on the Presumed Maximum Share Exchange Ratio, assuming that (a) there is no Taxable Target Shareholder, (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (c) none of the Converted Options under the One-off Share Option Plan has been exercised:

Immediately prior to the Merger Closing:



Immediately upon the Merger Closing and the allotment and issue of the Consideration Shares:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For shareholding structure of the Company taking into account Taxable Target Shareholders, please refer to the Letter from the Board.

4.2 *Merger consideration*

At the Merger Effective Time, the Merger consideration received by each Target Shareholder is as follows:

- (a) ***Target Shareholders other than (i) the Taxable Target Shareholders and (ii) the Target Controlling Shareholders:*** Each issued and outstanding Target Share held by the Target Shareholders (other than the Taxable Target Shareholders and the Target Controlling Shareholders) immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares calculated based on the Share Exchange Ratio.
- (b) ***Taxable Target Shareholders:*** With respect to the Taxable Target Shareholders, their receipt of the Consideration Shares may trigger certain taxes payable under Tax Circular 7 in the PRC. To fully comply with the requirements under the PRC law, under the Merger Agreement, the Company shall withhold and pay or arrange for payment of such taxes payable by the Taxable Target Shareholders to the relevant PRC tax authority after the Merger Closing. Accordingly, each issued and outstanding Target Share held by the Taxable Target Shareholders immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares equal to (i) the product of the total number of Target Shares held by the Taxable Target Shareholders immediately prior to the Merger Effective Time *multiplied* by the Share Exchange Ratio *minus* (ii) the Tax Circular 7 Withholding Shares. With respect to any Taxable Target Shareholder, if the number of Tax Circular 7 Withholding Shares exceeds the number of Tax Circular 7 Deductible Shares (such difference being the “**Tax Circular 7 Surfeit Shares**”), the Company shall, within ten (10) Business Days following provision of the tax payment certificate (which will be issued by the relevant PRC tax authority after full payment of the taxes payable by the relevant Taxable Target Shareholder) by the Company to such Taxable Target Shareholder, issue such number of newly issued and fully paid Shares equal to the number of the Tax Circular 7 Surfeit Shares to such Taxable Target Shareholder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) **Target Controlling Shareholders:** Each issued and outstanding Target Share held by the Target Controlling Shareholders immediately prior to the Merger Effective Time will be automatically cancelled and cease to exist in exchange for the right to receive such number of newly issued and fully paid Consideration Shares equal to (i) the product of the total number of Target Shares held by the Target Controlling Shareholders immediately prior to the Merger Effective Time *multiplied* by the Share Exchange Ratio *minus* (ii) the quotient of the total outstanding principal amount of the Loans and all unpaid interest accrued thereon (if any) as at the date immediately preceding the Merger Closing Date divided by the Price Per Company Share.

The Loans in an aggregate outstanding principal amount of US\$30,444,876.09 or its HKD equivalent were made by the Target Group to Mr. Ni in 2023. As at the Latest Practicable Date, the total outstanding principal amount of the Loans and all unpaid interest accrued thereon amounted to US\$34,130,009.87.

No fraction of a Share will be issued. Any Target Shareholder who would otherwise be entitled to a fraction of a Share shall instead receive the number of Shares rounded up to the nearest whole Share.

Any Target Share held by the Target or its direct or indirect subsidiaries immediately prior to the Merger Effective Time shall be automatically cancelled and cease to exist, and shall not be converted into any Consideration Share nor any form of consideration.

4.3 Share Exchange Ratio

The Share Exchange Ratio shall be calculated in accordance with the following formula:

$$\frac{\text{Price Per Target Share}}{\text{Price Per Company Share}}$$

The Price Per Target Share shall be the quotient of the Target Equity Value (being US\$677,000,000) divided by the Target Fully-Diluted Shares. The Target Equity Value was determined through arm's length negotiations between the Company and the Target, with consideration of the financial multiples of the three Close Comparables in the pharmaceutical business. For detailed analysis of the Close Comparables, please refer to the section headed "*Share Exchange Ratio*" in the Letter from the Board.

The Price Per Company Share shall be the quotient of the Company Equity Value (being US\$197,330,401.57) divided by the Company Fully-Diluted Shares. The Company Equity Value was determined based on the market capitalisation of the Company on the Last Trading Day, the final Net Cash Balance of the Company and the Company's current portfolio of drug candidates and the development stage thereof.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the Last Trading Day (being the last trading day immediately before the signing of the Merger Agreement), the market capitalisation of the Company was approximately HK\$858 million, equivalent to approximately US\$110 million. As the Company is required to submit the New Listing Application, the Company and the Target expected a long Transitional Period ahead, in order to better reflect the value of the Company and considering the capital-intensive nature of the Company's business, the Company and the Target further agreed to take into account the final Net Cash Balance and the Company's drug products and their development stages when determining the Company Equity Value.

At or around the signing of the Merger Agreement, the Company had submitted or was in the process of submitting new drug applications for multiple drug products. For instance, in March 2023 and March 2024, the Company submitted, and the China National Medical Products Administration officially accepted, the new drug application of GB491 in combination with Fulvestrant and in combination with Letrozole, respectively, which were expected to be commercialised soon and shall be reflected in the equity value of the Group.

Further, based on the annual results of the Company for the year ended 31 December 2023, the Company also held cash and bank balances of approximately RMB1,165.5 million. Given the Group would continue to conduct its business in its ordinary and usual course during the Transitional Period and considering the Pre-Merger Closing undertakings in respect of the Group, the Company expected that the Net Cash Balance would be no less RMB712.5 million (equivalent to approximately US\$100 million). Pursuant to the Merger Agreement, it is agreed that the Net Cash Balance would be no less than RMB712.5 million (equivalent to approximately US\$100 million). In light of the above, the parties agreed to set the Company Equity Value to US\$197.3 million. The Net Cash Balance, calculated based on the relevant figures of the Group as at 31 December 2024 pursuant to the Merger Agreement, was RMB781.5 million.

Neither the Target Equity Value nor the Company Equity Value will be adjusted at the Merger Closing.

As set out in the Letter from the Board, for the purposes of the Circular, the Presumed Maximum Share Exchange Ratio is approximately 3.31 as illustrated below:

	HK\$
A The Target Equity Value	5,273,694,600
B Target Fully-Diluted Shares	569,175,859
C Price Per Target Share [A/B]	9.27
D The Company Equity Value	1,537,164,362
E Company Fully-Diluted Shares	548,872,215
F Price Per Company Share [D/E]	2.80
Presumed Maximum Share Exchange Ratio [C/F]	3.31

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Presumed Maximum Share Exchange Ratio represents a reasonable estimate by the Company and the Target based on the assumptions set out above. The final Share Exchange Ratio will be determined with reference to the number of Company Fully-Diluted Shares and the number of Target Fully-Diluted Shares immediately prior to the Merger Effective Time, which is not expected to exceed the Presumed Maximum Share Exchange Ratio. No adjustment will be made after the final Share Exchange Ratio is determined pursuant to the terms and conditions of the Merger Agreement. The Company will make further announcement on the final Share Exchange Ratio on the Merger Closing Date upon the Merger Closing.

Given that the Share Exchange Ratio will be derived based on the Target Equity Value and the Company Equity Value, which will not be adjusted at the Merger Closing and are fair and reasonable as set out in our analysis in the sections headed “5. Evaluation of the Target Equity Value” and “6. Evaluation of the Company Equity Value and the Consideration Shares” below, we consider the Share Exchange Ratio fair and reasonable so far as the Independent Shareholders are concerned.

4.4 The Consideration Shares and the theoretical issue price

As set out in the Letter from the Board, assuming that (i) the number of issued Target Shares immediately prior to the Merger Effective Time will be 535,690,859 (comprising (a) 505,015,679 Target Shares in issue as at the Latest Practicable Date and (b) 30,675,180 Target Shares to be issued under the Target Share Options held by Mr. Ni which are assumed to have been exercised prior to the Merger Effective Time) which is then multiplied by the Presumed Maximum Share Exchange Ratio of 3.31 (after rounding down); (ii) there is no Taxable Target Shareholder, and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised, the Company will, for the purposes of the Proposed Merger, allot and issue a maximum of 1,773,136,744 Consideration Shares at the Merger Effective Time. The number of Consideration Shares to be allotted and issued represents (a) approximately 335.64% of the issued Shares of the Company as at the Latest Practicable Date; (b) approximately 77.05% of the issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares immediately after the Merger Closing (assuming that (i) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, (ii) none of the Converted Options under the One-off Share Option Plan has been exercised, and (iii) there is no other change in the issued Shares of the Company and the issued share capital of the Target from the Latest Practicable Date up to and until the Merger Closing Date); and (c) approximately 72.88% of the issued Shares of the Company as enlarged by the allotment and issue of (i) the Consideration Shares, (ii) the Shares upon exercise and/or vesting of all outstanding share options and all RSUs under the Pre-Existing Company Share Schemes, (iii) the Shares upon exercise of all Converted Options under the One-off Share Option Plan, and (iv) the Shares that are issuable pursuant to the ABT Subscription and Stock Purchase Agreement (assuming that there is no other change in the issued Shares of the Company and the issued share capital of the Target from the Latest Practicable Date up to and until the Merger Closing Date).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Target Equity Value and 1,773,136,744 Consideration Shares, the theoretical issue price per Consideration Share is HK\$2.974 as illustrated below:

Target Equity Value (HK\$) [A]	5,273,694,600
Target Fully-Diluted Shares	569,175,859
<i>Minus: Outstanding Target Share Options</i>	<u>33,485,000</u>
	535,690,859
<i>Times: Presumed Maximum Share Exchange Ratio</i>	<u>3.31</u>
Total number of Consideration Shares [B]	1,773,136,744
Theoretical issue price per Consideration Share [A/B]	2.974

The theoretical issue price per Consideration Share of HK\$2.974 represents:

- (a) a discount of approximately 10.69% to the closing price of HK\$3.33 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 80.24% over the closing price of HK\$1.650 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 101.49% over HK\$1.476 per Share, being the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (d) a premium of approximately 115.98% over HK\$1.377 per Share, being the average closing prices of the Shares as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day;
- (e) a premium of approximately 24.02% over the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK\$2.398 per Share as at 31 December 2024 and based on 528,291,792 Shares in issue as at the Latest Practicable Date; and
- (f) a premium of approximately 29.98% over the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$2.288 per Share as at 30 June 2025 and based on 528,291,792 Shares in issue as at the Latest Practicable Date.

The Consideration Shares will be allotted and issued under the Specific Mandate to be granted by the Shareholders at the EGM. The Consideration Shares, when allotted and issued, shall rank equally in all respects among themselves and with all the other Shares in issue as at the date of allotment and issue of the Consideration Shares including, in particular, as to rights in respect of any dividends and other distributions, voting rights and rights arising on a liquidation of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.5 *Lock-up Period*

Pursuant to the Target Controlling Shareholders Undertaking, the Target Controlling Shareholders have undertaken to the Company that, they shall not, and shall procure that the relevant registered Shareholder(s) not to, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Consideration Shares held by the Target Controlling Shareholders in the period commencing from the Merger Effective Time and ending on the date which is twelve (12) months after the Merger Closing Date, save for certain exceptions as set out in the section headed “*Consideration Shares and theoretical issue price*” in the Letter from the Board.

4.6 *Share options under the Target Share Option Scheme*

As at the Latest Practicable Date, the Target had adopted the Target Share Option Scheme, under which 64,160,180 Target Share Options had been granted and remained outstanding. Each Target Share Option issued and outstanding immediately prior to the Merger Effective Time shall, at the Merger Effective Time, be assumed by the Company and be automatically converted into share option entitling the holder thereof to subscribe for Shares pursuant to the One-off Share Option Plan. Details of the One-off Share Option Plan are set out in the section headed “9. Share Schemes – 9.3 *One-off Share Option Plan*” in Appendix VI to the Circular.

4.7 *Merger Conditions Precedent*

Please refer to the section headed “*Merger Conditions Precedent*” in the Letter from the Board for details of the conditions precedent to the Proposed Merger.

If the Merger Closing does not take place at or before 6:00 p.m. (Hong Kong time) on the Long Stop Date, being 31 December 2025, unless extended pursuant to the provisions of the Merger Agreement, the Merger Agreement may be terminated by written notice from either the Company or the Target to the other within five (5) Business Days after the Long Stop Date.

4.8 *Pre-Merger Closing undertakings*

Pursuant to the Merger Agreement, each of the Company and the Target undertakes to each other to take/not to take certain actions during the Transitional Period. A breach of any undertakings of the Company or the Merger Sub by the Company or the Merger Sub in any material respect will constitute a Termination Event for the Target and a breach of any undertakings of the Target by the Target in any material respect will constitute a Termination Event for the Company, as set out in the section headed “*Termination*” in the Letter from the Board. Please refer to the section headed “*Pre-Merger Closing undertakings*” in the Letter from the Board for detailed information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.9 *Merger Closing*

Subject to the satisfaction or waiver (if applicable) of all Merger Conditions Precedent, the Merger Closing shall take place at the Merger Effective Time.

Upon the Merger Closing, the Merger Sub will be merged with and into the Target with the Target surviving the Proposed Merger and becoming a wholly-owned subsidiary of the Company, and the Company will allot and issue the Consideration Shares pursuant to the Merger Agreement.

The Merger Agreement may be terminated prior to the Merger Effective Time upon occurrence of any Termination Event as set out in the section headed “*Termination*” in the Letter from the Board. The Company’s Break Fee or the Target’s Break Fee is payable pursuant to the terms of the Merger Agreement. For detailed information, please refer to the section headed “*Break fees*” of the Letter from the Board.

5. *Evaluation of the Target Equity Value*

As stated in the Letter from the Board, the Target Equity Value is US\$677,000,000, which reflects an implied EV/EBITDA Ratio and P/E Ratio of the Target of 5.14 times and 10.97 times (based on the net profit of the Target Group for the trailing twelve months period prior to 30 June 2024), respectively. In determining the Target Equity Value, the Board considered (i) the Target’s historical financial performance, including its revenue and profit; (ii) the Target’s product portfolio, which comprises six major products, including three commercialised originator-branded products (namely, Vancocin, Ceclor and FPN) and three key patented drug products (Vascepa, Mulpleta and Entinostat); (iii) the Target’s complete product supply chain quality management platform and drug commercialisation platform, its prospects and growth potential, (iv) the factors set out in the section headed “*Reasons for and Benefits of the Proposed Merger*” in the Letter from the Board, (v) the implied EV/EBITDA Ratio and P/E Ratio of the Target, and (vi) the Series D+ Financing and the Series E Financing of the Target, which reflected the then post-investment valuation of approximately US\$520 million and US\$660 million respectively. The Target Equity Value was determined through arm’s length negotiations between the Company and the Target, taking into consideration the financial multiples of the three Close Comparables in the pharmaceutical business, namely Hansoh Pharmaceutical Group Company Limited (SEHK:3692) (“**Hansoh**”), China Medical System Holdings Limited (SEHK:867) (“**CMS**”) and CSPC Pharmaceutical Group Limited (SEHK:1093) (“**CSPC**”). In identifying the Close Comparables, the Company and the Target mainly focused on the principal business of the Target (i.e. the pharmaceutical business) and identified comparable companies with a business model, focus and capability closest to that of the Target Group. As set out in the Letter from the Board, the Company and the Target considered the Close Comparables have the following attributes which coincide with those of the Target:

- (a) Hansoh is a leading innovative pharmaceutical company with a comprehensive business model that includes integrated R&D, manufacturing, and sales where the Target shares a similar business approach. It focuses mainly on the fields of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

oncology, anti-infectives, CNS diseases, metabolic diseases, as well as autoimmune diseases, in which the Target shares the same focus in anti-infectives.

- (b) CMS is a platform company linking pharmaceutical innovation and commercialisation with strong product lifecycle management capability, in which it has collaborated extensively with global innovation forces, similar to the Target's evolution into an integrated biopharmaceutical company through years of collaboration with MNCs and biotechnology companies. Further, it shares similarities with the Target with its mature commercialisation platform.
- (c) CSPC is comparable from a business model perspective as an innovative-driven pharmaceutical enterprise with integrated R&D, manufacturing and sales capabilities. Further, in terms of therapeutics areas, it involves in the sales of finished drugs in nervous system, oncology, anti-infectives, cardiovascular, respiratory system, digestion and metabolism, and others, of which the three therapeutic areas that the Target focuses on are covered.

We have reviewed the public information of the Close Comparables, including but not limited to, the latest published financial reports and the official websites of the respective companies, and the business model, focus and capability of the Target as disclosed in the Circular. Given the aforementioned similar attributes of the Close Comparables with those of the Target, we concur with the view of the Company and the Target that the Close Comparables are relevant comparable companies for the purpose in considering the Target Equity Value.

5.1 Reference Companies

As set out in the Circular, the Target is an integrated biopharmaceutical company focusing on research, development, and commercialisation of promising therapeutics. The core therapeutic areas of the Target Group includes oncology, anti-infectives, CVD and respiratory. During the Track Record Period, the Target Group was profit-making. In assessing the fairness and reasonableness of the Target Equity Value, we have conducted an exercise to identify entities whose shares are listed on the Main Board of the Stock Exchange which, based on information available in their published financial reports as at the date of the Merger Agreement, (i) are primarily engaged in manufacturing and sales of pharmaceutical products in China, with at least 70% of their respective total revenue contributed from such business segment in their latest financial year/trailing twelve months period; (ii) products in relation to oncology, anti-infectives, cardiovascular diseases, and/or respiratory systems diseases (other than those focusing on Chinese medicines, generic medicines and intermediate medicines) contributed at least 50% of their respective total revenue in their latest financial year/trailing twelve months period; and (iii) recorded a net profit attributable to owners of the company for their latest financial year/trailing twelve months period results. Based on such criteria and excluding a company which is subject to a privatisation proposal as at the date of the Merger Agreement, we have identified two additional entities on top of the Close Comparables (collectively the “**Reference Companies**”), which represents an exhaustive list based on the aforementioned criteria. Based on information publicly available, we note that the product mix

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and/or business focus of the Reference Companies vary and might not be precisely the same as that of the Target. However, given that (i) the Reference Companies and the Target are principally engaged in the same sector of the pharmaceutical industry focusing on similar therapeutic areas and geographical area; (ii) the Reference Companies are profit-making, as is the Target Company; and (iii) the sufficient number of companies identified, which includes all of the Close Comparables identified by the Company, we consider the Reference Companies to be a fair and representative sample in assessing the fairness and reasonableness of the Target Equity Value as the list provides a meaningful reference as regards the general market valuation for comparable pharmaceutical companies listed in Hong Kong.

In conducting our analysis, we compared the EV/EBITDA Ratios and P/E Ratios of the Target Group and those of the Reference Companies as we consider such ratios to be common and suitable valuation methodologies used to evaluate companies with a proven track record.

Stock code	Company name	EV/EBITDA	P/E Ratio
		Ratio	(times)
		(times)	(times)
		(Note 1)	(Note 2)
3692	Hansoh	14.1	22.4
1177	Sino Biopharmaceutical Ltd.	8.4	13.4
1093	CSPC	4.5	8.3
867	CMS	5.8	11.9
2186	Luye Pharma Group Ltd.	5.3	13.1
	Minimum	4.5	8.3
	Maximum	14.1	22.4
	Average	7.6	13.8
	The Target (Note 3)	5.14	10.97

Source: Website of the Stock Exchange and Bloomberg

Notes:

- EV/EBITDA Ratios of the Reference Companies were calculated based on the EBITDA for the latest financial year/trailing twelve months period of the respective Reference Company and the respective enterprise value derived from the Reference Company's market capitalisation as at the date of the Merger Agreement (i.e. 13 September 2024) plus latest disclosed total debt and non-controlling interests minus latest disclosed cash and cash equivalents.
- P/E Ratios of the Reference Companies were calculated based on the disclosed profit attributable to owners of the company for the latest financial year/trailing twelve months period of the respective Reference Company and the respective Reference Company's market capitalisation as at the date of the Merger Agreement (i.e. 13 September 2024).
- The implied EV/EBITDA Ratio and P/E Ratio of the Target were derived from the Target Equity Value and the net profit of the Target Group for the trailing twelve months period prior to 30 June 2024, as disclosed in the Letter from the Board.
- Exchange rate used in conversion was HK\$1 = RMB0.90880.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The EV/EBITDA Ratios of the Reference Companies ranged from around 4.5 times to 14.1 times with an average of around 7.6 times. The implied EV/EBITDA Ratio of the Target of 5.14 is below the average EV/EBITDA Ratio of the Reference Companies.

The P/E Ratios of the Reference Companies ranged from around 8.3 times to 22.4 times with an average of around 13.8 times. The implied P/E Ratio of the Target of 10.97 is below the average P/E Ratio of the Reference Companies.

5.2 Valuation Report of the Target Group

As set out in the Valuation Report prepared by Quam Capital Limited (the “**Valuer**”), the fair value of 100% equity interest in the Target Group as at 30 November 2025 was US\$1,000 million (the “**Valuation**”). The Valuation Report has been prepared in compliance with Rule 11 of the Takeovers Code and the International Valuation Standards issued by the International Valuation Standards Council. Details of the Valuation Report are set out in Appendix V of the Circular.

(i) Scope of work and qualifications of the Valuer

We have reviewed the engagement letter between the Target Company and the Valuer, the Valuation Report and interviewed the relevant staff of the Valuer with particular attention to (i) the Valuer’s terms of engagement with the Target Company; (ii) the Valuer’s qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation.

From our review of the engagement letter between the Target Company and the Valuer, we are satisfied that the terms of engagement between the Target Company and the Valuer are appropriate to the opinion the Valuer is required to give. The Valuer has confirmed that it is independent from the Target Company or any party acting, or presumed to be acting, in concert with any of them. We further understand that the Valuer is a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the person-in-charge of the Valuation has approximately 29 years of experience in corporate finance and has relevant experience in conducting valuation on equity interest for similar merger and acquisition transactions in Hong Kong. We note that the Valuer mainly carried out its due diligence through making enquiries and conducting its own proprietary research and has relied on publicly available information obtained through its own research as well as the information provided by the management of the Target Company.

(ii) Valuation methodology and assumptions

We have reviewed the Valuation Report and discussed with the Valuer methodologies of, and bases and assumptions adopted for the Valuation, and adjustments made to arrive at the Valuation. As advised by the Valuer, in arriving at the fair value of 100% equity interest in the Target Group, the Valuer has considered three accepted approaches, namely the market approach, the income approach and the asset-based approach:

Market approach: values a business entity by comparing prices at which other business entities of a similar nature changed hands in arm's length transactions. The guideline public company method under the market approach focuses on analysing the data and valuation multiples of companies that can be considered comparable to those being valued, adjusting for differences between those companies and the subject company. The other methodology under the market approach, namely the guideline transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued, adjusting for differences between those companies and the subject company being valued.

Income approach: focuses on the economic benefits due to the income producing capability of the business entity. It estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits. Alternatively, this present value can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate.

Asset-based approach: based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and is equal to the value of its invested capital.

Among the three approaches, the Valuer considers that the market approach is the optimal approach and adopted for the Valuation. The Valuer considers that asset-based approach is not considered applicable to the valuation of the Target Group as it does not capture future earning potential of the business and the income approach is inappropriate as it requires detailed financial forecast of the Target Group, which involves adoption of much more subjective assumptions than the other two approaches, not all of which can be easily quantified or ascertained.

Under the market approach, since there are sufficient public companies in similar nature and business to that of the Target Group, the Valuer considers and we concur that the guideline public company method is appropriate for valuing 100% equity interest in the Target Group.

(iii) Comparable companies of the Target Group

As set out in the Valuation Report, the Target Group is an integrated specialty biopharmaceutical company. In identifying comparable companies under the guideline public company method of the market approach, the Valuer has adopted the following selection criteria:

- engage in similar principal business as the Target Company, being biopharmaceutical business;
- mainly operates in Chinese mainland;
- have positive earnings as at the Valuation Date; and
- are listed on the Stock Exchange with financial information publicly available.

Based on the aforementioned criteria, the Valuer has identified five comparable companies, which is identical to the five References Companies identified by our independence research as set out in the section headed “5.1 Reference Companies” above. We have independently reviewed the latest published financial reports of the comparable companies identified by the Valuer and noted that each of the comparable companies has similarities to the Target Group in terms of business and geographical focus.

As set out in the Valuation Report, the Valuer has considered various commonly used value multiples in formulating the Valuation, including (i) price-to-earnings; (ii) price-to-sales; and (iii) price-to-book multiples. The Valuer considers price-to-sales not applicable to the Valuation as it ignores the cost structure of a company and the profitability of a company. Price-to-book multiple was also considered not appropriate as it does not take into consideration of the profitability of a company. Given that price-to-earnings multiple is suitable for valuation of profit-making business and earnings is one of the most direct drivers of equity value, the Valuer has adopted such multiple in the Valuation.

Given the proximity of the comparable companies identified by the Valuer and the Target Group, and the sufficient number of comparable companies identified by the Valuer, which is in line with our independent research performed as set out in the section headed “5.1 Reference Companies” above, we consider that the Valuer’s selection criteria are appropriate and sufficient for the Valuation as they enable the Valuer to identify companies with a similar business in the same geographical region as the Target Group, with sufficient data publicly available for it to conduct the Valuation.

(iv) Discount for lack of marketability (DLOM)

As set out in the Valuation Report, marketability deals with the liquidity of an ownership interest and how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. As the Target Company is not listed, the Valuer has applied a DLOM of 15.6% based on The 2024 Stout Restricted Stock Study, which, according to the Valuer, is a widely used and authoritative empirical database that supports valuation professionals in determining DLOM.

(v) Control premium

As set out in the Valuation Report, control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest of a business enterprise that reflects the power of a control. The Valuer has adopted a control premium of 26.8% given that the comparable companies identified by the Valuer are publicly listed, the shares of which do not reflect a controlling interest. Such control premium was determined with reference to the control premium studies for the trailing 12 months ended 30 September 2025 in the “Control Premium & Discount for Lack of Marketability Study” published by Moore Hong Kong in November 2025.

Based on our review of the Valuation Report and discussion with the Valuer regarding, among others, the reasons and appropriateness of adopting the market approach for the Valuation, the basis, assumptions and methodology adopted in the Valuation Report, and the valuation work and adjustments performed by the Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Valuation Report.

5.3 Conclusion

Based on the above, in particular (i) the fact that the Target Equity Value of US\$677 million is lower than the fair value of the Target Company of US\$1,000 million as appraised by the Valuer, and (ii) our analysis by cross-checking the Target Equity Value with our independent research on the Target’s comparable companies (i.e. the Reference Companies), in which the implied EV/EBITDA Ratio and implied P/E Ratio of the Target are both within the ranges of and below the averages of the EV/EBITDA Ratio and P/E Ratio of the Reference Companies, indicating the Target Equity Value represents a reasonable valuation with reference to the market valuation for companies engaging in similar business to the Target Group, we consider the Target Equity Value reasonable so far as the Independent Shareholders are concerned. Independent Shareholders shall refer to the full text of the Circular, which sets forth detailed information including but not limited to, the development, business and financial information of the Target Group, in considering the Target Equity Value.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. *Evaluation of the Company Equity Value and the Consideration Shares*

6.1 *Evaluation of the Company Equity Value*

As set out in the Letter from the Board, the Company Equity Value, being US\$197,330,401.57 was determined based on the market capitalisation of the Company (approximately HK\$858 million, equivalent to approximately US\$110 million, based on the closing price of the Shares on 12 September 2024, being the Last Trading Day), the final Net Cash Balance of the Company not being lower than RMB712,500,000 (equivalent to approximately US\$100 million) as set out in the Merger Agreement, and with consideration to the Company's current portfolio of drug candidates and the development stage thereof.

In assessing the fairness and reasonableness of the Company Equity Value, we have referenced the International Valuation Standards issued by the International Valuation Standards Council, which outline three generally accepted approaches to determine the fair value of a business entity, namely the asset-based approach, income approach and market approach.

The asset-based approach derives the value of a business entity from the fair value of its existing assets, including working capital, tangible, and intangible assets. The sum of these individually valued components is assumed to represent the business's total invested capital. However, as the Group operates an asset-light business model, with its primary assets being cash and bank balances, this approach fails to capture the future earning potential of the business. Consequently, the asset-based approach is inappropriate for valuing the Group.

The income approach determines the value of a business entity by discounting its projected future economic benefits to their present value, using a discount rate that reflects the associated risks. This method relies on the income-generating capability of the business over its useful life. As the Group is a biotechnology company which only begin to record revenue in recent year and does not have a representative track record of income stream, its cash flow projections would necessitate numerous assumptions regarding revenue growth, cost of revenue, operating expenses, research and development expenses working capital movements, and capital expenditures. Such assumptions are challenging to verify, support, or measure reliably. Therefore, the income approach is inappropriate for valuing the Group as well.

The market approach evaluates the value of a business by comparing it to similar publicly traded companies or transactions. Given the availability of sufficient peer public companies operating in the same industry to the Group, we consider the market approach most appropriate for assessing the fairness and reasonableness of the Company Equity Value. As such, we have conducted an exercise to identify entities whose shares are listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules which are primarily engaged in the development and commercialisation of pharmaceutical drugs in relation to oncology and/or immune systems (other than those focusing on/engaging in Contract Development and Manufacturing Organisation (CDMO) business) as disclosed in their latest published financial report as at the date of the Merger Agreement. Based on such criteria, we have identified 23 companies (the "**Peer Companies**"), which represents an exhaustive list based on the aforementioned criteria.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In conducting our analysis, considering the Company's pre-revenue stage and loss-making status for the latest financial year prior to the date of the Merger Agreement, we compared its price-to-R&D expenses ("P/R Ratio") and price-to-book ratio ("P/B Ratio") to those of the Peer Companies. The following table sets forth the P/R Ratios and P/B Ratios of the Peer Companies:

Stock code	Peer Company	P/R Ratio (Note 1)	P/B Ratio (Note 2)
6990	Sichuan Kelun-Biotech Biopharmaceutical Co Ltd	31.0	11.5
2410	TYK Medicines Inc	40.2	Net liabilities
2162	Keymed Biosciences Inc	14.9	3.8
2509	Qyuns Therapeutics Co. Ltd.	16.0	14.8
2480	Beijing Luzhu Biotechnology Co. Ltd.	18.4	4.3
2179	Jiangsu Recbio Technology Co. Ltd.	8.8	4.7
2315	Biocytogen Pharmaceuticals (Beijing) Co Ltd	5.6	2.9
9966	Alphamab Oncology	5.3	1.3
2256	Abbisko Cayman Ltd	4.0	0.8
2616	CStone Pharmaceuticals	4.3	3.7
1541	Immuneonco Biopharmaceutical (Shanghai) Inc	5.9	2.8
2105	Laekna Inc	6.4	2.4
2171	Carsgen Therapeutics Holdings Ltd.	2.8	1.1
6978	Immunotech Biopharm Ltd	6.4	15.4
1167	Jacobio Pharmaceuticals Group Co Ltd	3.5	1.4
3681	Sinomab Bioscience Ltd	9.8	4.4
2496	Wuhan YZY Biopharm Co. Ltd.	7.2	22.3
2898	Sunho Biologics Inc.	15.5	1.6
1672	Ascletris Pharma Inc	3.1	0.4
2142	HBM Holdings Ltd	3.7	0.9
2126	JW Cayman Therapeutics Co Ltd	1.4	0.3
6996	Antengene Corporation Ltd	1.2	0.4
2257	Sirnaomics Ltd	1.0	148.0
	Minimum	1.0	0.3
	Maximum	40.2	148.0
	Average	9.4	11.3
	Median	5.9	2.9
6998	The Company (Note 3)	3.1	1.3

Notes:

- The P/R Ratios of the Peer Companies are calculated based on the respective market capitalisation as at the date of the Merger Agreement and the respective R&D expenses for the latest financial year/trailing twelve months period prior to the date of the Merger Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The P/B Ratios of the Peer Companies are calculated based on the respective market capitalisation as at the date of the Merger Agreement and the respective latest published net asset value attributable to equity owners prior to the date of the Merger Agreement.
3. The P/R Ratio and P/B Ratio of the Company are calculated based on the implied market capitalisation from the Company Equity Value, the R&D expenses of the Company for the twelve-month period ended 30 June 2024, and the net asset value attributable to equity owners as at 30 June 2024.

As set out in the table above, the P/R Ratio of the Peer Companies ranged from approximately 1.0 times to 40.2 times with an average and a median of approximately 9.4 times and 5.9 times respectively. The P/B Ratio of the Peer Companies ranged from approximately 0.3 times to 148.0 times with an average and a median of approximately 11.3 times and 2.9 times respectively. The implied P/R Ratio and P/B Ratio of the Company of approximately 3.1 times and 1.3 times as represented by the Company Equity Value are within the range. Based on the latest published financial information of the Group, the P/R Ratio of the Group would be approximately 8.3 times (based on the R&D expenses of the Group for the trailing twelve months period ended 30 June 2025), and the P/B Ratio of the Group would be approximately 1.3 times (based on the net asset value attributable to equity owners as at 30 June 2025), as implied by the Company Equity Value.

From our analysis and based on information publicly available, despite the Peer Companies and the Company are principally engaged in the same sector of the biotechnology industry focusing on similar therapeutic areas, we noted that the operation size, capital structure, number of core products, product type and product development stage of the Peer Companies and the Company vary given the nature of the biotechnology industry. We therefore consider the wide range of multiples of the Peer Companies did not provide a meaningful reference on the market valuation for comparable biotechnology companies listed in Hong Kong.

Despite the above, as (i) the Peer Companies serves to illustrate the range of market valuations for listed biotechnology companies in Hong Kong; and (ii) a market comparable analysis is widely used in assessing the pricing of a listed companies, we have nevertheless sets out the range, average and median of the Peer Companies for the Shareholders' reference. As the results of the peers analysis are not very insightful, we tend to place more weight on the analysis of the theoretical issue price against the historical Share price as set out in the section below. In our view, as the Company has been publicly traded since October 2020, the market price of the Company incorporates real-time investor sentiment, financial performance and responses to material developments, such as clinical trial outcomes and regulatory approvals, which could reflects the valuation given by the market. Hence, we consider the evaluation of the theoretical issue price, which is derived from the Company Equity Value, as compared to the market price of the Company an essential analysis for Shareholders to assess the fairness and reasonableness of the Company Equity Value.

As previously discussed, the Company Equity Value was determined by factoring in the cash and bank balances of the Group. Given the Group would continue to conduct its business in its ordinary and usual course during the Transitional Period and considering the Pre-Merger Closing undertakings in respect of the Group, it is agreed that the Net Cash Balance would be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

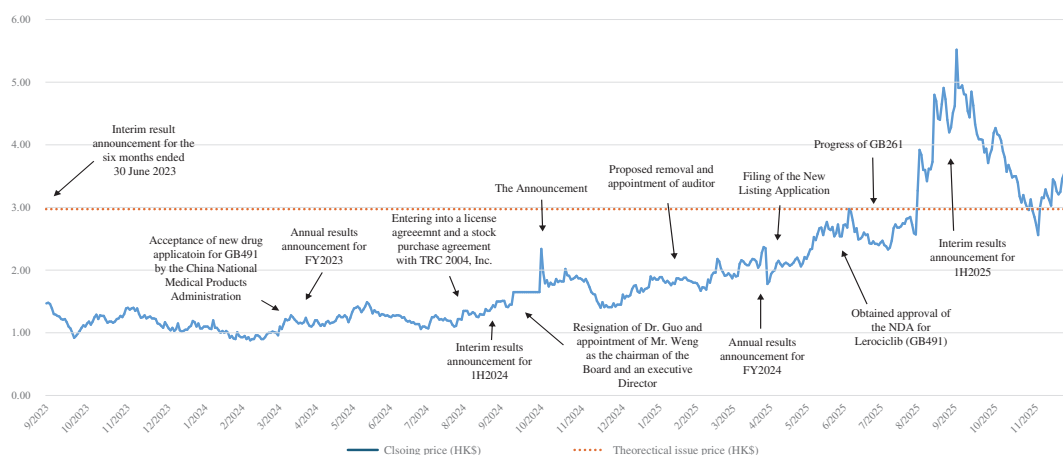
no less than RMB712.5 million (equivalent to approximately US\$100 million), pursuant to the Merger Agreement. In the biopharmaceutical industry, where substantial cash reserves are essential for funding research, development, and operations, cash typically constitutes a significant portion of the net assets. Since the listing of the Company, cash and bank balances have been the primary asset of the Group, accounting for around 90% of the net asset value of the Group as at each financial year-end. The undertaking of the Group to maintain the Net Cash Balance ensures the Company retains sufficient liquidity to sustain its operations post-transaction. As at 30 June 2025, cash and bank balances of the Group amount to approximately RMB1,009.9 million, approximately 40% above the Net Cash Balance. If the cash level were to fall below the Net Cash Balance, it would represent a significant decline and could constitute a material adverse change to the Group. Taking into account the current cash level of the Group and the critical role of cash as the Company's primary asset, we consider the Net Cash Balance to be reasonable to safeguard the Company's financial stability, which was a key factor in determining the Company Equity Value.

6.2 Evaluation of the theoretical issue price

Based on the Target Equity Value of US\$677 million and 1,773,136,744 Consideration Shares, the theoretical issue price per Consideration Share is HK\$2.974.

(i) Historical Share price performance

Set out below is a chart reflecting movements in the closing prices of the Shares from 1 September 2023, being roughly twelve months before the date of the Merger Agreement, up to and including the Latest Practicable Date (the “**Review Period**”), which represent in our opinion a sufficient period of time to provide a general overview on the recent market performance of the Shares.



Source: Website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the chart above, the Share price closed in a range between HK\$0.88 and HK\$1.65 per Share with an average of approximately HK\$1.19 per Share during the period from 1 September 2023 to 12 September 2024 (both dates inclusive), being approximately 12 months period immediately before the publication of the Announcement (the “**Pre-Announcement Period**”). The average Share closing price for the entire Review Period was approximately HK\$1.92 per Share.

The Company published its interim results announcement for the six months ended 30 June 2023 after trading hours on 30 August 2023. The closing price of the Shares followed a decreasing trend from HK\$1.51 per Share on 30 August 2023 to HK\$0.92 per Share on 26 September 2023, gradually rebounding to HK\$1.40 per Share on 13 November 2023. Since then, the closing Share price generally followed a decreasing trend and closed at HK\$0.88 per Share on 15 February 2024, being the lowest closing price during the Pre-Announcement Period.

From 16 February 2024, the Share price regained an upward momentum and closed at HK\$1.49 per Share on 21 May 2024, but resumed a downward trend and closed at HK\$1.07 per Share on 9 July 2024. Since then, the Share price followed an increasing trend and closed in a range of HK\$1.10 to HK\$1.65 per Share with an average of HK\$1.32 per Share before the publication of the Announcement.

On 7 October 2024, the Company published the Announcement and the Share price surged from HK\$1.64 per Share on 12 September 2024, being the Last Trading Day, to HK\$2.34 per Share on 7 October 2024, representing an increase of approximately 41.8%. On 8 October 2024, the Share closed at HK\$1.97 per Share, representing a decrease of approximately 15.8% from the previous day. Since then and up to 11 November 2024, the Share price closed in a range of HK\$1.74 to HK\$2.02 per Share with an average of HK\$1.85 per Share, followed by a downward trend and closed at HK\$1.40 per Share on 21 November 2024, being the lowest closing price since the publication of the Announcement and up to the Latest Practicable Date. From 22 November 2024 to 6 December 2024, the Share price closed in a narrow range of HK\$1.41 to HK\$1.49 per Share before increasing again following a generally increasing trend and closed at HK\$2.35 per Share on 3 April 2025.

On 7 April 2025, the Hong Kong stock market plunged and the Hang Seng Index recorded a significant decrease of over 3,000 points (or approximately 13%) as compared to the closing price on the previous trading day. The Share price also recorded a significant decrease of approximately 24.3% from the previous trading day of HK\$2.35 per Share and closed at HK\$1.78 per Share on 7 April 2025. The Share price rebounded from 7 April 2025 and closed at HK\$2.15 per Share on 15 April 2025, the day of which the Company has submitted the deemed new listing application in relation to the Proposed Merger. Since then, the Share price fluctuated between HK\$2.06 and HK\$2.21 per Share during the period from 16 April 2025 to 12 May 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From 13 May 2025 onwards, the Share price generally followed an increasing trend and closed at HK\$2.98 per Share on 12 June 2025, exceeding the theoretical issue price for the first time during the Review Period. The Share price has then fluctuated between HK\$2.33 per Share to HK\$2.93 per Share during the period from 13 June 2025 to 4 August 2025, before it surged and closed at HK\$3.27 per Share on 5 August 2025, representing an increase of approximately 27.2% from the closing price on 4 August 2025. The Share price continued to record significant increase of approximately 19.9% and closed at HK\$3.92 per Share on 6 August 2025 and an increase of approximately 28.7% and closed at HK\$4.8 per Share on 18 August 2025. The Share price reached its peak at HK\$5.52 per Share on 3 September 2025 and resumed a downward trend and fall below the theoretical issue price to closed at HK\$2.974 per Share on 31 October 2025, which is generally in line with the trend of the biotech sector in Hong Kong. From our review of the Company's publications, we could not conclude any specific potential reasons leading to the Share price fluctuations. We have also discussed with the Management the significant fluctuation in the Share price in August to October and they are not aware of particular reason that led to such fluctuations. Since November 2025, the Share price fluctuated between the range of HK\$2.56 per Share to HK\$3.54 per Share and closed at HK\$3.33 per Share as at the Latest Practicable Date.

(ii) Comparison with recent issues of consideration shares

To assess the fairness and reasonableness of the theoretical issue price, we have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange which has announced the issuance of consideration shares (excluding the issuance of A shares or domestic shares) during the period from 1 January 2024 up to 13 September 2024 (both dates inclusive), being approximately 8-months period prior to the date of the Merger Agreement (the "**Comparable Issues**"). We consider that this length of period allows a sufficient number of Comparable Issues to be identified for a valid analysis of the issue prices of consideration shares for acquisition purpose under recent market sentiment. The Comparable Issues set out below represent an exhaustive list of issues of consideration shares based on the aforementioned criteria.

The subject companies constituting the Comparable Issues may differ in principal activities, market capitalisation and financial position from the Company, and may have different reasons for their respective acquisitions and for issuing consideration shares. However, we consider, in light of our selection criteria, recent issues of consideration shares by listed companies for acquisition(s) can provide a general reference as regards the recent market trend for this type of transaction in the Hong Kong market. Despite a relatively large range of discount/premium represented by the respective issue price under the Comparable Issues, we regard the Comparable Issues as valid and representative sample for assessing the fairness and reasonableness of the theoretical issue price as they represented all recent issuance of consideration shares in the Hong Kong capital market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Stock Code	Listed Company	Principal business	Issue price (HK\$)	Premium/(Discount) of the issue price over/to the average closing price over the last 5 consecutive trading days		
					the closing price prior to/on last trading day (%)	the average closing price over the last 5 consecutive trading days (%)	the average closing price over the last 30 consecutive trading days (%)
11/9/2024	302	CMGE Technology Group Limited	Mobile game publishing, game development and licensing of intellectual property	1.68	140.0	139.3	127.5
11/9/2024	720	Auto Italia Holdings Limited	Property investment	0.13	(10.3)	(9.1)	(9.4)
23/8/2024	290	GoFintech Innovation Limited	Securities brokerage and margin financing	0.89	0.0	(0.9)	(8.8)
23/8/2024	6069	SY Holdings Group Limited	Digital intelligence technology company	5.2	(6.0)	(4.6)	2.3
16/8/2024	1611	Sinohope Technology Holdings Limited	Manufacture and sale of energy-related electric and electronic products	2.18	14.1	13.9	12.2
12/8/2024	2347	Yoho Group Holdings Limited	Online-merge-offline (OMO) business through e-commerce platforms	1.00	66.7	63.4	56.2
12/8/2024	1477	Ocumension Therapeutics	Discovering, developing and commercializing ophthalmic therapies	9.20	25.5	26.1	32.3
9/8/2024	3939	Wanguo Gold Group Limited	Mining, ore processing and sale of concentrates products and gold products	8.12	8.0	12.0	9.0
31/7/2024	204	Capital Realm Financial Holdings Group Limited	Financial services	0.47	(9.6)	(2.7)	(6.8)
26/7/2024	1280	China Qidian Guofeng Holdings Limited	Retail of household appliance	0.4	(19.2)	(19.8)	(31.9)
26/7/2024	1821	ESR Group Limited	Management of logistics asset portfolios	11.66	0.0	(1.5)	3.4
24/7/2024	1640	Ruicheng (China) Media Group Limited	Advertising services	0.6	(18.9)	(19.8)	(15.4)
22/7/2024	2399	China Anchu Energy Storage Group Limited	Sales of industrial products	0.5	66.7	65.6	63.7
7/7/2024	673	China Health Group Limited	Trading of medical equipment and consumables	0.8	(14.9)	(15.3)	(16.2)
26/6/2024	9911	Newborn Town Inc.	Pan-audience social networking	4.5	3.2	1.5	12.8

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

					Premium/(Discount) of the issue price over/to		
					the average	the average	
					the closing	closing price	closing price
					price prior	over the last	over the last
					to/on last	5 consecutive	30 consecutive
Announcement	Stock Code	Listed Company	Principal business	Issue price	trading day	trading days	trading days
Date				(HK\$)	(%)	(%)	(%)
25/6/2024	572	Future World Holdings Limited ^(Note 1)	Trading business and related financial services	0.7	0.0	2.9	2.2
21/6/2024	1303	Huili Resources (Group) Limited	Coal processing, supply chain services and trading businesses and non-ferrous ore mining and processing	0.48	(12.7)	(15.8)	(2.3)
24/5/2024	2368	Eagle Nice (International) Holdings Limited	Manufacture and trading of sportswear and garments	4.65	2.2	0.0	(2.6)
27/5/2024	456	New City Development Group Limited	Property development and investment	0.768	56.7	0.0	20.1
9/4/2024	554	Hans Energy Company Limited	Trading of oil and petrochemical products	0.7961	99.0	103.6	214.5
22/3/2024	2400	XD Inc.	Game operation	14.2	0.0	2.1	(5.5)
29/2/2024	2195	Unity Enterprise Holdings Limited	Repair, maintenance, alteration and addition works	0.126	(16.0)	(18.4)	(22.6)
21/2/2024	2668	Pak Tak International Limited	Trading of non-ferrous metals and construction materials	0.336	(4.0)	3.1	3.9
21/2/2024	1002	V.S. International Group Limited	Plastic injection and molding	0.28	191.7	192.9	225.6
19/2/2024	9858	China Youran Dairy Group Limited	Production of fresh milk	1.6	32.2	32.9	28.2
2/2/2024	1357	Meitu, Inc.	Imaging products and services	2.6237	14.6	9.4	(13.5)
23/1/2024	33	International Genius Company	Provides artificial intelligence trading technology solutions	5.624	5.3	0.0	(8.7)
				Minimum	(19.2)	(19.8)	(31.9)
				Maximum	191.7	192.9	225.6
				Average	22.7	20.8	24.8
The Consideration Shares				2.974	80.24	101.49	115.98

Note:

- On 26 June 2024, Future World Holdings Limited announced two transactions which involved issue of consideration shares. Since the issue price of the consideration shares of both transactions are the same (i.e. HK\$0.7), we considered the two transactions as one in the above analysis to avoid distortion to the result.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The discounts/premiums of the above Comparable Issues represented by their respective issue price to/over their respective share closing price on the last trading day prior to the publication of the transaction announcement and 5- and 30-trading day average share price ranged from a discount of around 19.2% to a premium of around 191.7%, a discount of around 19.8% to a premium of around 192.9%, and a discount of around 31.9% to a premium of around 225.6%, respectively.

The premia represented by the theoretical issue price over the closing price of the Shares on the Last Trading Day, and 5- and 30- trading day average Share price are a premium of around 80.24%, a premium of around 101.49%, and a premium of around 115.98%, respectively, which are significantly higher than the respective average premia of the Comparable Issues and only lower than three out of the 27 Comparable Issues.

It should be noted that the subject companies in the Comparable Issues may differ in principal activities, market capitalisation and financial position from the Company. The factors and considerations for each Comparable Issue affecting the premium over or discounts to the issue prices may vary in each case taking into account other terms and intentions of the issuance and could be different to the Consideration Shares. Having said that, the Comparable Issues could still provide a general understanding of the pricing for similar type of transaction in Hong Kong, but under different market conditions and consideration. As such, we consider that the Comparable Issues relevant in assessing the fairness and reasonableness of the theoretical issue price of the Consideration Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.3 Effect of the Proposed Merger on the shareholding structure of the Company

As set out in the Letter from the Board, the following shareholding table summarises the shareholding structure of the Company assuming no Taxable Target Shareholder (i) as at the Latest Practicable Date; and (ii) immediately after allotment and issue of the Consideration Shares, based on assumptions set out below:

Name of Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and			
	Approximate		Approximate		Approximate	
	Number of	percentage of	Number of	percentage of	Number of	percentage of
	Shares	shareholding	Shares	shareholding	Shares	shareholding
Mr. Ni and parties acting in concert with him (being the Target Controlling Shareholders)						
Mr. Ni ⁽¹⁾⁽²⁾	–	–	837,966,754	36.41%	837,966,754	34.44%
Talent Creation ⁽²⁾	–	–	9,599,000	0.42%	9,599,000	0.39%
Chinapharm Group ⁽²⁾	–	–	9,433,500	0.41%	9,433,500	0.39%
Sub-total	–	–	856,999,254	37.24%	856,999,254	35.22%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	<p>(ii) Immediately after the allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and</p> <p>(a) there is no Taxable Target Shareholder; (b) all outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes (including 1,000,000 share options and/or RSUs assumed as having been granted under the Company New Grant) have been exercised or vested (as the case may be); (c) all of the Converted Options under the One-off Share Option Plan have been exercised; and (d) all Shares issuable pursuant to the ABT Subscription and Stock Purchase Agreement have been issued</p>					
Name of Shareholders	(i) As at the Latest Practicable Date		One-off Share Option Plan have been exercised		have been issued	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Other Target Shareholders ⁽³⁾	–	–	916,137,490	39.81%	1,026,972,840	42.21%
Sub-total of Target Shareholders	–	–	1,773,136,744	77.05%	1,883,972,094	77.43%
Director						
Mr. Weng ⁽⁴⁾	372,500	0.07%	372,500	0.02%	1,522,500	0.06%
Substantial Shareholders of the Company						
Hillhouse Investment Management, Ltd.	127,989,103	24.23%	127,989,103	5.56%	127,989,103	5.26%
Kanghe Medical Technology Limited	44,311,060	8.39%	44,311,060	1.93%	44,311,060	1.82%
Kang Jia Medical Technology Limited	13,491,962	2.55%	13,491,962	0.59%	13,491,962	0.55%
Public Shareholders	342,127,167	64.76%	342,127,167	14.87%	361,557,590	14.86%
Total	528,291,792	100%	2,301,428,536	100%	2,432,844,309	100%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) As at the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme, which pursuant to the Merger Agreement and the One-off Share Option Plan, would be converted into 101,534,846 Converted Options. For the purposes of the Presumed Maximum Share Exchange Ratio, it is assumed that such Target Share Options to be having been exercised prior to the Merger Effective Time.
- (2) As at the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of the Talent Creation and Chinapharm Group.
- (3) Assuming all the grantees of Converted Options do not hold Shares as at the Merger Closing.
- (4) Mr. Weng is entitled to further receive, subject to fulfilment of the relevant vesting and exercise conditions, up to 1,150,000 Shares upon vesting and/or exercise of all outstanding share options and RSUs held by him.

Immediately after allotment and issue of the Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the Latest Practicable Date up to and until the Merger Closing Date, and (a) there is no Taxable Target Shareholder; (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested; and (c) none of the Converted Options under the One-off Share Option Plan have been exercised, there will be a dilution in the shareholding interests of the existing public Shareholders from approximately 64.76% to approximately 14.87%. For shareholding structure of the Company taking into account Taxable Target Shareholders, please refer to the Letter from the Board. Taking into account Taxable Target Shareholders, such dilution effect would be from approximately 64.76% to approximately 15.47%.

The degree of dilution for the Independent Shareholders is, in our opinion, significant. However, taking into account the impact of the Independent Shareholders will be mitigated by the fact that (i) benefits of the Proposed Merger to the Group as discussed under the section headed “3. *Reasons for and benefits of the Proposed Merger*” above; and (ii) significant improvement on the earnings per share of the Group after the Proposed Merger as illustrated in the section headed “7. *Financial effects of the Proposed Merger*” below, we consider the dilution effect acceptable.

7. *Financial effects of the Proposed Merger*

Upon the Merger Closing, the Merger Sub will be merged with and into the Target with the Target surviving the Proposed Merger and becoming a wholly-owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group as a result of the Merger Closing (the “**Pro-forma Information**”) is included in Appendix III to the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Earnings

Based on the Pro-forma Information and as if the Proposed Merger had taken place on 1 January 2025, the results for 1H2025 would improve from a net loss of approximately RMB54.4 million for the Group to a net profit of approximately RMB15.7 million for the Enlarged Group, largely due to the net profit of the Target Group of approximately RMB114.6 million, which is then partly offset by the estimated professional fees and expenses relating to the Proposed Merger of approximately RMB42.5 million.

The loss/profit per share for 1H2025, which is calculated based on the net loss/profit for the period attributable to owners of the parent of the Company and the 528,291,792 Shares in issue as at the Latest Practicable Date, would improve from a loss per share of approximately RMB0.10 for the Group to a profit per share of approximately RMB0.01 for the Enlarged Group, after taking into account of the issuance of the 1,773,136,744 Consideration Shares.

Asset and liabilities

According to the 2025 Interim Report, total assets and total liabilities of the Group as at 30 June 2025 were approximately RMB1,324.8 million and RMB226.1 million, respectively, leading to net assets of approximately RMB1,098.7 million. As stipulated in the Pro-forma Information, the total consideration of the Proposed Merger of approximately RMB1,182.3 million represents a premium to the net identifiable assets attributable to the Group as at 30 June 2025 of, approximately RMB1,113.9 million. Based on the Pro-forma Information and as if the Proposed Merger had taken place on 30 June 2025, the goodwill arising from the Proposed Merger amount to approximately RMB68.4 million. Also, the consideration of the Proposed Merger is to be wholly settled by way of issuing Consideration Shares and there would be no cash outlay by the Group. Overall, the net assets attributable to owners of the parents as at 30 June 2025 is expected to increase from approximately RMB1,098.6 million for the Group to approximately RMB3,456.1 million for the Enlarged Group.

Gearing

According to the Pro-forma Information, assuming the Merger Closing had taken place on 30 June 2025, the gearing ratio as at 30 June 2025, defined as total liabilities divided by total assets, would increase from approximately 17.1% for the Group to approximately 50.1% for the Enlarged Group, which was mainly due to the significant amount of interest-bearing bank and other borrowings of the Target Group of approximately RMB2,419.2 million as at 30 June 2025.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Enlarged Group will be following Merger Closing and the issue of the Consideration Shares pursuant to the Merger Agreement. Please refer to Appendix III of the Circular for details of the Pro-forma Information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. *Risk factors*

Shareholders' attention is also drawn to the section headed "*Risk factors*" in the Circular for the risks relating to, amongst others, the Proposed Merger, the business of the Enlarged Group when considering the Proposed Merger.

9. *Discussion and analysis*

Having considered, in particular:

- (i) the Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs in the PRC. The Group has been investing in the research and development of its products, one of which will soon be commercialised. The Target Group has a well-established sales and marketing network. The Proposed Merger will enhance the prospects for commercial success of the Group's products, which will enhance the Group's future financial performance;
- (ii) other than the sales and marketing network, the Target has also established its own localised manufacturing platform with techniques and know-how meeting international standards for drug manufacturing, which enable the Group to develop into a developed and fully integrated biopharmaceutical company;
- (iii) the theoretical issue price of the Consideration Shares of HK\$2.974 is substantially above the market price for the entire Pre-Announcement Period, and the Target Equity Value is set by reference to the Close Comparables, the reasonableness of which were supported by the Valuation Report and cross-checked by our independent research on the Target's comparable companies;
- (iv) the impact from the shareholding dilution of the Independent Shareholder will be mitigated by the potential benefits of the Proposed Merger to the Group and the significant improvement on the earnings per share of the Group after the Proposed Merger, and the theoretical issue price of the Consideration Shares is fair and reasonable based on our analysis;
- (v) the consideration of the Proposed Merger is to be wholly settled by way of issuing Consideration Shares and there would be no cash outlay by the Group. The Group will benefit from the synergetic effects from the Proposed Merger on one hand, and will be able to retain the Remaining IPO Proceeds for the continuous development of the Group's products for the future development at the same time; and
- (vi) based on the Pro-Forma Information, the Group will improve from a loss per Share of approximately RMB0.10 to a profit per Share of approximately RMB0.01 for the Enlarged Group.

We are of the view that the Proposed Merger is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. The Whitewash Waiver

As at the Latest Practicable Date, neither Mr. Ni nor parties acting in concert with him (being Talent Creation and Chinapharm Group) owned, controlled or directed any Shares. Immediately upon the Merger Closing, based on the Presumed Maximum Share Exchange Ratio, assuming that (a) there is no Taxable Target Shareholder, (b) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (c) none of the Converted Options under the One-off Share Option Plan has been exercised, Mr. Ni and parties acting in concert with him will be interested in 856,999,254 Shares, representing approximately 37.24% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares upon the Merger Closing. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, upon the Merger Closing, Mr. Ni will be required to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Mr. Ni and parties acting in concert with him, unless the Whitewash Waiver is granted by the Executive. An application to the Executive for the Whitewash Waiver has been made by Mr. Ni pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

According to the Takeovers Code, the Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) resolutions relating to the Whitewash Waiver and the Proposed Merger being approved, respectively, by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM; and (ii) Mr. Ni and parties acting in concert with him not having made any acquisitions or disposals of voting rights of the Company between the date of the Announcement and completion of the allotment and issue of the Consideration Shares unless with the prior consent of the Executive.

The Merger Closing is conditional on, among other things, the grant of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholder at the EGM. If the Whitewash Waiver is not granted or is withdrawn or revoked by the Executive or is not approved by the Independent Shareholders at the EGM, the Proposed Merger will not become unconditional and will not proceed.

In view of (i) the reasons for and benefits of the Proposed Merger set out above and our opinion that the Proposed Merger is in the interests of the Company and the Independent Shareholders as a whole; and (ii) that the terms of the Merger Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is one of the conditions for the Merger Closing, is (a) in the interests of the Company and the Independent Shareholders as a whole; and (b) fair and reasonable.

C. The Retention Plan of the Shareholder Personnel

1. Principal terms of the Retention Agreements

On 13 September 2024, the Company and the Target entered into conditional Retention Agreements in relation to the retention of the Shareholder Personnel of the Group upon the Merger Closing on the following terms and conditions:

- (a) if any Shareholder Personnel wishes to continue his/her employment with the Enlarged Group upon the Merger Closing, the Enlarged Group agrees, and will make all necessary arrangements, to maintain such Shareholder Personnel's employment with the Enlarged Group for at least one (1) year following the Merger Closing (the "**Retained Period**"), during which the responsibilities (for Shareholder Personnel other than Dr. Guo only), remuneration packages and benefits of such Shareholder Personnel shall remain substantially the same as those entitled by such Shareholder Personnel prior to the Merger Closing;
- (b) if during the Retained Period, the Enlarged Group terminates any Shareholder Personnel's employment without proper cause, the Enlarged Group shall, at the time of employment termination (the "**Employment Termination Time**"), pay such Shareholder Personnel a severance payment in an amount equal to (i) six (6) times of his/her average monthly salary for the twelve (12) calendar months immediately preceding the Merger Closing Date, or (ii) the Statutory Compensation Amount (2N), whichever is the higher;
- (c) (for Dr. Guo only) conditional upon (i) the Merger Closing having taken place, and (ii) Dr. Guo having served in the Enlarged Group for sixty (60) days immediately following the Merger Closing Date (the "**Dr. Guo's Qualifying Acceleration Period**"), or the Enlarged Group terminates the employment of Dr. Guo during the Retained Period, 50% of the then unvested share options and/or RSUs held by Dr. Guo under the Pre-Existing Company Share Schemes shall be automatically accelerated and vested in Dr. Guo on the expiration of the Dr. Guo's Qualifying Acceleration Period or immediately prior to the time of his employment termination (as the case may be). On the basis of the foregoing, conditional upon the final Net Cash Balance being not less than RMB712,500,000, the remaining 50% of the then unvested share options and/or RSUs held by Dr. Guo under the Pre-Existing Company Share Schemes shall be automatically accelerated and vested in Dr. Guo on the expiration of the Dr. Guo's Qualifying Acceleration Period or immediately prior to the Employment Termination Time (as the case may be);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) (for Shareholder Personnel other than Dr. Guo) conditional upon the relevant Shareholder Personnel having served in the Enlarged Group for sixty (60) days immediately following the Merger Closing Date (the “**Other Shareholder Personnel’s Qualifying Acceleration Period**”), or the Enlarged Group terminates the employment of such Shareholder Personnel during the Retained Period, all the then unvested share options and/or RSUs held by such Shareholder Personnel under the Pre-Existing Company Share Schemes shall be automatically accelerated and vested in such Shareholder Personnel on the expiration of the Other Shareholder Personnel’s Qualifying Acceleration Period or immediately prior to the time of his/her employment termination (as the case may be). Notwithstanding the foregoing, if Dr. Guo (as the chief executive officer of the Company) imposes any additional conditions on the acceleration and vesting of any unvested share option and/or RSU held by the relevant Shareholder Personnel under the Pre-Existing Company Share Schemes, such unvested share options and/or RSU shall only be accelerated and vested in such relevant Shareholder Personnel upon satisfaction of all such conditions;
- (e) if any Shareholder Personnel’s share options and/or RSUs are accelerated and vested pursuant to paragraph (c) or (d) above (as the case may be), and such Shareholder Personnel resigns after expiration of the Dr. Guo’s Qualifying Acceleration Period or the Other Shareholder Personnel’s Qualifying Acceleration Period (as the case may be), the Enlarged Group shall, on the date of his/her employment termination, pay such Shareholder Personnel a severance payment in an amount equal to three (3) times of his/her monthly salary for the calendar month immediately preceding the Merger Closing Date; and
- (f) in respect of the share options and RSUs held by the Shareholder Personnel, save for the acceleration arrangements set out in paragraphs (c) or (d) above (as the case may be), all other terms and procedures (including the exercise price) set out in the rules of the then effective relevant Pre-Existing Company Share Scheme(s) and/or grant agreement(s) shall remain unchanged.

2. Reasons for and benefits of the Retention Plan of the Shareholder Personnel

As set out in the Letter from the Board, various drug candidates of the Group are currently under clinical development or under the review of the NMPA for the grant of NDA approval and CDK4/6i is also expected to be commercialised soon. It is also the current intention of the Company and the Target to continue to finance the research, development, commercialisation of the Group’s existing drug candidates and drug products, as well as the expansion of the Group’s drug pipeline with the Remaining IPO Proceeds (which was approximately RMB669.9 million as at 31 December 2024). In order to continue to invest in, research, develop and ultimately launch the Group’s drug candidates and products, the Company and the Target believe that it is in the interest of the Enlarged Group and the Shareholders to retain experienced key personnel who (i) is familiar with the business, drug portfolio and operation of the Group, (ii) has close relationship with the suppliers, customers and other service

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

providers of the Group, and (iii) has made immense contribution to the remarkable growth and development of the Group to continue his/her employment with the Enlarged Group following the Merger Closing. Having considered the profiles, experience and contributions of the existing senior management team of the Group, the Company and the Target identified a total of ten Shareholder Personnel from various divisions of the Group, including R&D, operation, finance and human resources, and each of them satisfies all the foregoing criteria, which the Company considers beneficial to the Enlarged Group to have them remain involved in the business of the Enlarged Group post-Merger Closing.

Further, the Company and the Target believe that the retention of the Shareholder Personnel who had been deeply involved in the business and operation of the Group could assist the new Directors to understand and implement the business strategies and plan following the Merger Closing and minimise disruptions to the day-to-day operation of the Enlarged Group as a result of the change in the composition of the Board and the management team following the Proposed Merger.

In view of the above, the Company and the Target entered into the Retention Agreements simultaneously with the Merger Agreement so to maintain the Shareholder Personnel's employment with the Enlarged Group for at least one (1) year following the Merger Closing. The Enlarged Group may evaluate the continued employment of the remaining employees of the Group depending on the business strategy and focus of the Enlarged Group after completion of the Merger Closing.

In addition, as set out in paragraphs (c) and (d) of the section headed "*1. Principal terms of the Retention Agreements*" above, the Enlarged Group will reward Shareholder Personnel who has served the Enlarged Group for at least sixty days immediately following the Merger Closing Date pursuant to the terms of the Retention Agreements. This is because the Company and the Target expect that there will be substantial amount of transitional work to be handled by personnel of both the Group and the Target Group, which is essential for the smooth merger between the Group and the Target Group, during the first sixty days immediately after the Merger Closing. Hence, the Retention Agreements provide for the acceleration and vesting of unvested share options and/or RSUs in the relevant Shareholder Personnel upon such Shareholder Personnel serving the Enlarged Group during such sixty-day period and fulfilling such other conditions applicable to him/her as set out in the relevant Retention Agreement (if any). Both the Company and the Target believe the continuous service of the Shareholder Personnel in the Enlarged Group post-Merger Closing will facilitate the smooth business merger between the Group and the Target Group and minimise disruptions to the day-to-day operation of the Enlarged Group. The Company and the Target therefore believe that the Retention Plan is in the interest of the Enlarged Group and the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. *Background of the Shareholder Personnel*

The retained Shareholder Personnel include (i) Mr. Weng (executive Director and chief financial officer of the Company), who holds 372,500 Shares (representing approximately 0.07% of the issued Shares of the Company); (ii) Dr. Guo (chief executive officer of the Company), who holds 13,997,343 Shares (representing approximately 2.65% of the issued Shares of the Company); and (iii) eight other then employees of the Group as at the date of the Retention Agreement (including (a) four existing employees of the Group, being the chief technology officer, senior vice president of human resources, finance director and associate director of CMC of the Company, who held in aggregate 340,000 Shares (representing approximately 0.06% of the issued Shares of the Company) as at the Latest Practicable Date; and (b) four other personnel who had left the Group since the Retention Agreement was entered into and therefore the Retention Agreement is no longer applicable to such four personnel).

Mr. Weng

Mr. Weng is currently an executive Director and the chief financial officer of the Company.

As stated in the announcement of the Company dated 12 September 2024 in relation to, among others, the appointment of Mr. Weng as an executive Director and the chief financial officer of the Company, Mr. Weng has more than 11 years of experience serving as finance manager and finance director at various listed companies. From November 2018 to September 2024, Mr. Weng also has more than 11 years of experience serving as finance manager and finance director at various listed companies. From November 2018 to September 2024, Mr. Weng has been serving as the secretary of the Board and the Vice President of Finance of the Company. Since September 2024, Mr. Weng has been serving as an executive Director and the chief financial officer of the Company. In accordance with the 2025 Interim Report, Mr. Weng is entitled to the following equity-based awards:

1. **Pre-IPO Share Option Scheme:** Up to 340,000 Shares through the exercise of options at an exercise price of US\$2 per Share (currently out-of-the-money).
2. **Post-IPO Share Option Scheme:** Up to 600,000 Shares through the exercise of options at an exercise price of HK\$1.5 per Share.
3. **2021 RSU Plan:** Up to 210,000 Restricted Share Units (RSUs) subject to vesting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the 2021 RSU Plan was not subject to the then applicable Chapter 17 of the Listing Rules, any amendments to the terms of 2021 RSU plan constitutes a connected transaction under Chapter 14A. Based on the market price of the Company's Shares at HK\$3.33 per Share as of the Latest Practicable Date, and assuming all entitled options and RSUs are accelerated, vested, and exercised immediately (as applicable), Mr. Weng would be entitled to the following additional remuneration:

- **Pre-IPO Share Option Scheme:** Nil, as the options are out-of-the-money.
- **Post-IPO Share Option Scheme:** Approximately HK\$1,098,000 (equivalent to approximately RMB998,000).
- **2021 RSU Plan:** Approximately HK\$699,300 (equivalent to approximately RMB636,000).

Furthermore, as disclosed in the Company's circular dated 27 May 2025, Mr. Weng's remuneration package includes an annual salary of approximately RMB1,105,000, along with discretionary bonuses, incentives, and subsidies as determined by the Board in accordance with the Company's policies. Assuming immediate acceleration, vesting, and exercise of all entitled options and RSUs, Mr. Weng's hypothetical total annual remuneration would be approximately RMB2,739,000 ("**Hypothetical Remuneration**").

As set out in the section headed "6.1 Evaluation of the Company Equity Value" above, we have conducted an exercise to identify the Peer Companies of the Company, whose shares are listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules which are primarily engaged in the development and commercialisation of pharmaceutical drugs in relation to oncology and/or immune systems (other than those focusing on/engaging in Contract Development and Manufacturing Organisation (CDMO) business) as disclosed in their latest published financial report as at the date of the Merger Agreement, and identified 23 Peer Companies. In considering the Hypothetical Remuneration, we have conducted a comparative analysis of the remuneration of executive directors of the Peer Companies who serve as chief financial officers or are primarily responsible for financial management, as disclosed in their latest annual reports. Based on publicly disclosed information of the Peer Companies, we have identified an exhaustive list of 7 individuals among the Peer Companies (the "**Comparable Individuals**") and we consider such comparable individuals form a fair and representative list as it provide a general reference to the remuneration level of a similar role

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in the same industry. The table below set out a breakdown of the total remuneration packages of the Comparable Individuals:

Stock code	Peer Company	Name of the Comparable Individual	Title	Primary responsibilities	Salaries, allowances, benefits and performance related bonus RMB'000	Share-based payment RMB'000	Total remuneration (Note 1) RMB'000
2410	TYK Medicines Inc	Dr. JIANG Mingyu	Executive director, vice president, board secretary and joint	Overseeing the investments, financing and legal matters	1,024	2,500	3,524
2509	Qyuns Therapeutics Co. Ltd.	Mr. Lin Weidong	Executive director and deputy general manager	Financial management and auditing related work	1,744	4,523	6,267
2480	Beijing Luzhu Biotechnology Co. Ltd.	Ms. ZHANG Yanping	Executive director and deputy general manager	In charge of the finance department	637	13,936	14,573
2179	Jiangsu Recbio Technology Co. Ltd.	Ms. CHEN Qingqing,	Executive director, chief financial officer, vice general manager and secretary	Financing activities, investor relationship, internal audit and control and corporate governance, and in charge of the finance and legal department	1,438	5,694	7,132
1541	Immuneonco Biopharmaceutical (Shanghai) Inc.	Ms. Guan Mei	Executive director and company secretary	Financing activities, internal control and securities and listing matters	800	14	814
1167	Jacobio Pharmaceuticals Group Co Ltd	Ms. Xiaojie WANG	Executive director and president of administration	Overall administration, operational and financial management	2,304	–	2,304
6996	Antengene Corporation Ltd	Mr. Donald Andrew Lung	Executive director and chief financial officer	In charge of the overall finance	3,107	935	4,042
				<i>Minimum</i>	637	–	814
				<i>Maximum</i>	3,107	13,936	14,573
				<i>Average</i>	1,579	3,943	5,522
				<i>Median</i>	1,438	2,500	4,042
6998	The Company	Mr. Weng	Executive director and chief financial officer	Overall management, finance, business and strategy			2,739 (Note 2)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The remuneration of the Comparable Individuals are extracted from the respective latest published annual report of the Peer Companies.
2. Represents the Hypothetical Remuneration of Mr. Weng assuming immediate acceleration, vesting and exercise of all entitled options and RSUs, based on the Share price of the Company as at the Latest Practicable Date.

As set out in the table above, the total annual remuneration of the Comparable Individuals ranges from approximately RMB814,000 to RMB14,573,000, with an average of approximately RMB5,522,000 and a median of approximately RMB4,042,000. Although the range of total remuneration package of the Comparable Individuals is broad, the Hypothetical Remuneration of Mr. Weng falls within the range and is below both the average and median remuneration of the Comparable Individuals. This indicates that accelerating the vesting of Mr. Weng's unvested share options and/or RSUs would not result in an excessively high remuneration compared to the Comparable Individuals, who has similar roles in the Peer Companies. Taking into account the above and the fact that this acceleration arrangement is not exclusive to Mr. Weng under the Retention Agreements but also applies to other Shareholder Personnel who are not connected persons of the Company, we consider such arrangement is on normal commercial terms and fair and reasonable.

Dr. Guo

As set out in the section headed “*Proposed Directors and Senior Management of the Enlarged Group*” of the Circular, Dr. Guo is currently the chief executive officer of the Company and is proposed to be the chief executive officer of the Enlarged Group following the Merger Closing. He will be mainly responsible for management execution and formulating R&D strategies upon the Merger Closing.

Dr. Guo joined the Group in April 2020. He was appointed as a Director on 16 April 2020 and Chairman on 2 November 2021. He subsequently resigned as an executive Director and Chairman on 12 September 2024 but has remained as the chief executive officer of the Company. Dr. Guo is primarily responsible for the overall management, business and strategy of the Group. Dr. Guo has accumulated over 20 years of experience in the biopharmaceutical industry, particularly in its management and in research and development. Prior to joining the Group, Dr. Guo held a number of senior positions in various companies, including companies listed on the Stock Exchange and NYSE, principally engaged in medical and pharmaceutical related businesses. Dr. Guo obtained his Doctorate in clinical pharmacology from the University of Toronto in Canada in May 2001.

For detailed biography of Dr. Guo, please refer to the section headed “*Proposed Directors and Senior Management of the Enlarged Group*” of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Other Shareholder Personnel

As discussed with the Company, the remaining eight Shareholder Personnel are from various divisions of the Group, including R&D, operation, finance and human resources and were proposed to be retained having considered their profiles, experience and contributions. In particular, they (i) are familiar with the business, drug portfolio and operation of the Group, (ii) have close relationship with the suppliers, customers and other service providers of the Group, and (iii) have made contributions to the growth and development of the Group to continue his/her employment with the Enlarged Group following the Merger Closing. As at the Latest Practicable Date, four Shareholder Personnel had left the Group since the Retention Agreement was entered into and therefore the Retention Agreement is no longer applicable to such four personnel.

The purpose of the Retention Agreements and the Retention Plan is to facilitate the smooth business merger between the Group and the Target Group and minimise disruptions to the day-to-day operation of the Enlarged Group. Having considered the principal factors and reasons, and in particular the following:

- (i) the Proposed Merger is in the interest of the Company and its Shareholders as a whole and its terms are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned as discussed in the section headed “A. *THE PROPOSED MERGER*” above;
- (ii) the background and experience of the retained personnel, who would continue to contribute to the growth and development of the Enlarged Group following the Merger Closing,
- (iii) the remuneration packages and benefits of the Shareholder Personnel for the Retained Period shall remain substantially the same as those entitled by such Shareholder Personnel prior to the Merger Closing;
- (iv) the acceleration of the vesting of the unvested share options/RSUs under the Retention Plan and the Retention Agreement do not provide the Shareholder Personnel entitlements to interests in the Company which they do not originally own;
- (v) the Retention Plan for all the Shareholder Personnel (except for Dr. Guo) is identical whether or not it is a connected person of the Company; and
- (vi) the Retention Agreements and the Retention Plan are, by their nature, not being extended to Shareholders that are not key personnel of the Group,

we consider that the terms of the Retention Agreements and the Retention Plan are fair and reasonable so far as the Independent Shareholders are concerned, and the Retention Plan with Mr. Weng is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Based on the above principal factors and reasons, we consider that, although the entering into of the Proposed Merger is not in the ordinary and usual course of business of the Group, the terms of the Merger Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and its Shareholders as a whole. We are also of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the Merger Closing, is (i) in the interests of the Company and the Independent Shareholders as a whole and (ii) fair and reasonable. Given that the purpose of the Retention Plan is to facilitate the Proposed Merger and minimise disruptions upon the Merger Closing, and the terms of the Retention Plan are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, we consider the Retention Plan is in the interests of the Company and the Shareholders as a whole.

We therefore advise (i) the Listing Rules IBC to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution in relation to the Retention Plan of Mr. Weng to be proposed at the EGM; and (ii) the Takeovers Code IBC to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
for and on behalf of

SOMERLEY CAPITAL LIMITED

M.N. Sabine	Calvin Leung
<i>Chairman</i>	<i>Director</i>

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

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

RISK FACTORS

When considering the Proposed Merger, you should carefully consider the risk factors set out below and the other data and information set forth in this circular. The business, financial condition, results of operations and prospects of the Target Group could be adversely affected by any of the following events. The risks and uncertainties described below are not exhaustive of all the risks faced by the Company, the Target Group or the Enlarged Group. Any other risks and uncertainties which the Company, the Target Group and the Enlarged Group are not aware of or deem to be immaterial currently may also have an adverse impact on the business, financial condition, results of operations and prospects of the Company, the Target Group and the Enlarged Group.

The Proposed Merger involves various risks, many of which are beyond the control of the Company, the Target Group and the Enlarged Group. Such risks may be categorized into: (i) risks relating to the Target Group's business and industry; (ii) risks relating to the Proposed Merger; and (iii) risks relating to this circular.

RISKS RELATING TO THE TARGET GROUP'S BUSINESS AND INDUSTRY

Risks Relating to the Sales and Distribution of the Target Group's Products

The Target Group is largely dependent on sales of certain commercialized products. If the Target Group is unable to maintain the sales volume, pricing levels and profit margins for these commercialized products, its business could be adversely affected.

During the Track Record Period, the Target Group was largely dependent on the sales of its commercialized products, especially Vancocin, Ceclor and FPN. Gross revenue from these products (presented as revenue before deduction of sales rebates and sales tax) in aggregate amounted to RMB1,961.7 million, RMB2,191.9 million, RMB2,393.1 million, RMB1,268.3 million and RMB1,027.9 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for 89.7%, 88.3%, 85.0%, 83.8% and 88.2% of its total gross revenue for the same periods. The Target Group expects that sales of these products will continue to comprise a substantial portion of its total revenue in the near future. If the Target Group is unable to maintain the sales volumes, pricing levels or profit margins for these products, its business could be adversely affected.

The Target Group distributes and sells certain of its commercialised products, such as Recormon, under contractual arrangements with multinational pharmaceutical companies. If any such multinational pharmaceutical partner terminates or materially alters its collaboration with the Target Group, the Target Group may lose the rights to distribute or market certain products, which would adversely impact its revenue and market position. In addition, the Target Group could be forced to seek alternative suppliers or partners, which may not be available on acceptable terms, if at all, and the Target Group may need to incur additional time and costs in building up new distribution channels or replacing lost product lines.

RISK FACTORS

Apart from contractual risks, many factors could affect sales of the Target Group's commercialized products, including government policies such as the volume-based procurement scheme (“**VBP Scheme**”) and the PRC National Reimbursement Drug List (“**NRDL**”), regulatory or enforcement changes, market acceptance within the medical community, inclusion in or removal from the medical insurance coverage, competition, disruptions or adverse changes in supply chains, manufacturing or distribution, increases in the cost of raw materials, issues with respect to product quality or side effects and disputes over intellectual property. If the Target Group is unable to maintain the sales volumes, pricing levels or profit margins of its commercialised products, or to renew contracts with its multinational pharmaceutical partners, its business, financial condition, results of operations and prospects could be materially and adversely affected. See also “– The Target Group's commercialized products or pipeline products, once approved, may be subject to price adjustments, competition or the tender process, and therefore their prices may decrease, which could materially and adversely affect its financial condition and results of operations”.

The Target Group's commercialized products or pipeline products, once approved, may be subject to price adjustments, competition or the tender process, and therefore their prices may decrease, which could materially and adversely affect its financial condition and results of operations.

According to currently effective PRC laws and regulations, the government regulates drug prices mainly by establishing and updating the VBP scheme and the NRDL, and strengthening regulations of medical and pricing practices, including stipulating tender process for drug procurement of public medical institutions. The Target Group cannot predict the extent to which its business may be affected by future legislative or regulatory developments. Changes in regulations could affect the prices that the Target Group is able to charge for its products, which would adversely affect its financial condition and results of operations. In addition, it is typical that the price of a drug product will decline over the life of the product as a result of, among other things, increased competition from generic and/or substitute products, tender process adopted by public medical institutions, and other pricing policies promulgated by relevant government authorities. The change of prices of the Target Group's commercialized products could have a material effect on its business, financial conditions and results of operations.

A substantial portion of certain products the Target Group sells to its distributors are then on-sold to public medical institutions in China. Public medical institutions at all levels are required to procure substantially all of the drugs that are covered by the National Essential Drug List or are generally used for common clinical needs through the tender process. These drugs are sold to public medical institutions at the successful bid prices in the tender process. The tender process can create pricing pressure among originator-branded products and generic or substitute products, or products that are perceived to be substitute products.

RISK FACTORS

In November 2018, the PRC government launched the VBP pilot scheme aimed at reducing drug prices and has impacted how drugs are priced and procured in China. The VBP scheme is conducted annually and its drug coverage is updated on an annual basis as well, taking into consideration factors including patient needs, disease prevalence, cost and budget, number of different suppliers of a same generic drug in the market. See “Regulations – Overview of PRC Regulations – Regulations in relation to Medical Insurance Programme and VBP Scheme – The VBP Scheme in ‘4+7 Cities’ and Nationwide”. If drug products are not selected in the bidding process associated with the VBP scheme in one or more regions, the Target Group will be unable to sell the relevant products to public hospitals and other public medical institutions in those regions through the VBP scheme or take advantage of the quota under the scheme, and its market share, financial condition could be adversely affected. Products may not be selected in the bidding process for various reasons, including reduced demand for the relevant product, uncompetitive bidding price, insufficient service quality to meet tender requirements, the relevant product being perceived to be less clinically efficacious than competing products, or its services or other aspects of its operations being perceived to be less competitive.

Of the products the Target Group sold during the Track Record Period, Ceclor Sachet and Ceclor Capsules, as well as certain other commercialized products, namely, Zinacef Tablet, Zinacef Injection and Fortum, were subject to the VBP scheme nationwide. The Target Group strategically focused on building up sales to the in-hospital market that is not included in the VBP scheme, as well as the out-of-hospital market. From 2022 to 2024, the Target Group’s gross revenue from Ceclor Sachet and Ceclor Capsules generally continued to increase. The exclusive marketing and distribution agreements for Fortum and Zinacef expired in December 2023.

If the Target Group’s other products become subject to the VBP scheme but do not win the bids, demand for its products may decrease, and its sales volume, revenue and market share could be adversely affected. Moreover, even if the Target Group wins the bid for its products, there may be a significant price reduction or discrepancy between the estimated procurement quantities set out in the tender documents and the actual procurement quantities, and the Target Group cannot assure you that the market share of its products will increase. If the Target Group cannot achieve targeted sales volumes or sales prices for its products, its business, financial condition and results of operations may be materially and adversely affected.

In addition, to include any innovative pharmaceuticals in the NRDL, the Target Group generally needs to undergo a pricing negotiation process with the PRC government. As a result, inclusion of its innovative products and other products in the NRDL after commercialisation may result in a decrease in their price across the country.

RISK FACTORS

Failure to attain, maintain or expand market acceptance for the Target Group's products in China's medical community would have an adverse impact on its operations, financial condition and future prospects.

The commercial success of the Target Group's commercialized products and any pipeline products depends on the degree of market acceptance they achieve in the medical community, particularly among physicians and hospitals in China. Physicians may not prescribe or recommend the Target Group's products to their patients, and procurement departments of hospitals may not purchase its products. The acceptance of any of the Target Group's commercialized products and pipeline products in the medical community is dependent upon several factors, including:

- the safety, efficacy and indication coverage of its products;
- the products' perceived advantages and disadvantages relative to competing products or treatments;
- the effectiveness of its efforts to market products to hospitals and physicians;
- the endorsement of its products by KOLs;
- the cost effectiveness of its products;
- the inclusion of its products in the NRDL and the willingness of patients to pay out-of-pocket in the absence of NRDL coverage and/or reimbursement by third-party payers;
- the publicity concerning its products and competing products;
- its ability to respond to changes in needs and preferences of healthcare practitioners;
- its ability to manage its supply chain to ensure the quality and supply of its products; and
- its collaboration and relationship with its distributors.

If the Target Group's products fail to attain, maintain or expand market acceptance in the medical community, or if new products introduced by its competitors are perceived more favourable by physicians and patients, the demand for its products may decline and its operations and financial condition may be materially and adversely affected.

RISK FACTORS

The Target Group may not be able to successfully acquire or in-license new products of high quality.

The Target Group seeks to acquire or in-license new products to expand its product portfolio. It acquired the product rights for Ceclor and Vancocin from Eli Lilly in October 2019 and FPN from GSK in May 2020. It in-licensed Mulpleta from Shionogi in March 2019 and further acquired the product rights for Mulpleta in September 2024. As at the Latest Practicable Date, the Target Group had four in-licensed products, namely, Vascepa and three siRNA candidates. The Target Group cannot guarantee that it will be able to continue to successfully identify and acquire or in-license new products with high commercial potential. The Target Group cannot assure you that the prospective seller or licensor of products or pipeline products identified by it would agree to sell or license such products or pipeline products to it at favourable commercial terms or at all. In addition, the Target Group has limited financial resources, and its resource allocation decisions may lead it to pass on products that may later prove to have high commercial potential and profitable market opportunities. Even if the Target Group is able to acquire or in-license the products that it targets, it cannot assure you that the products will be successfully developed, marketed or commercialized. Moreover, the Target Group's existing collaborations with its licensors may be harmed or result in litigation or other disputes, and it may not be able to acquire or in-license new products or pipeline products from its current licensors or other global pharmaceutical companies. As a result of these factors, the Target Group may not be able to successfully expand its product portfolio and its future growth and prospects may be materially and adversely affected.

The Target Group is exposed to concentration risk of reliance on its major distributors, who are its customers.

During the Track Record Period, the Target Group generated a significant portion of its revenue from its major customers, which are primarily the importers and regional distributors for its products. For the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2025, the Target Group's sales to the five largest customers in each year/period accounted for approximately 65.6%, 65.8%, 74.3% and 76.9% of its total revenue, respectively. During the same periods, the Target Group's sales to the largest customer accounted for approximately 57.7%, 56.7%, 54.7% and 62.0% of its total revenue, respectively. The Target Group's dependence on a limited number of major customers subjects it to concentration and counter-party risk from its major customers. The Target Group cannot guarantee that its major customers will continue to purchase its products or will not reduce or terminate their business with it. Moreover, the Target Group cannot guarantee that its major customers will not have a change of business scope or business model in China or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of the Target Group's major customers may have a significant adverse impact on their business with it. If the Target Group is unable to find a replacement on comparable commercial terms with similar revenue contribution or distribution qualification and ability within a reasonable period of time, or at all, its business, financial condition, results of operations may be adversely affected.

RISK FACTORS

The Target Group’s sales and marketing activities may not be effective and it may not be able to maintain a qualified sales force, which may adversely affect its sales and business prospects.

Successful sales and marketing are crucial for the Target Group to increase the market penetration of its products, to expand its coverage of hospitals and other medical institutions, and to promote its new products. As at 30 June 2025, the Target Group had around 1,000 sales representatives spanning across 31 provinces in China and covering approximately 17,000 hospitals, 19,000 pharmacies and 188 business corporations. However, if the Target Group is unable to increase or maintain the effectiveness and efficiency of its sales and marketing activities, its sales and business prospects could be adversely affected.

The Target Group’s ability to attract, motivate and retain a qualified and professional sales force is important, because it relies on its sales force to promote and market its products. Moreover, the Target Group adopted an academic marketing approach. Therefore, the Target Group’s sales and marketing force must possess an adequate academic understanding of a specific therapeutic area, in addition to understanding the attributes and benefits of its products and sufficient promotion and communication skills. If the Target Group is unable to provide adequate training and evaluation and maintain a qualified and stable sales force, its sales and marketing may be less successful than desired. The Target Group may expand into therapeutic areas for which it has no or limited operational experience. The Target Group may not be able to build up the distinct medical knowledge, experience and resources necessary for successful development and sales and marketing in these new therapeutic areas, which may adversely affect its sales and business prospects. Moreover, competition for experienced marketing, promotion and sales personnel is intense. If the Target Group is unable to attract, motivate and retain a sufficient number of qualified and professional sales and marketing personnel, sales volumes of its products may be adversely affected, and it may be unable to expand its hospital coverage or increase its market penetration as contemplated.

The Target Group relies on its distribution network to sell and distribute its products, and if the Target Group fails to maintain and expand its distribution network, its business could be adversely affected.

The Target Group relies on its distribution network to sell and distribute its products. The Target Group’s distributors include importers and regional distributors. For details, see “Business of the Target Group – Sales and Marketing – Sales and Distributorship”. The drugs the Target Group distributes consist of domestically manufactured drugs, including Ceclor, FPN (since February 2024, with a transition period during which imported FPN is also available) and Jing Zhu Da, and imported drugs which are manufactured overseas, including Vancocin, FPN (before February 2024, and throughout a subsequent transition period), Vascepa, Mulpleta and Recormon.

RISK FACTORS

The Target Group's ability to maintain and grow its business is significantly affected by its ability to maintain and manage a distribution network and to expand its distribution network effectively. The performance of the Target Group's distributors and their ability to sell its commercialized products and pipeline products, once approved, to expand their businesses and their sales network, and to timely deliver its products may directly affect its sales volume and financial condition. Any reduction, delay or cancellation of orders from the Target Group's distributors and any return of shipments from its distributors (such as due to the development of governmental regulations, product recalls or adverse market conditions), or any material change to its distribution network, including change of its importers, may cause material fluctuations or declines in its revenue or the sustainability of its growth and may have an adverse effect on its business, financial condition and results of operations.

The Target Group's standard distribution agreement with regional distributors typically has a term of one year. The Target Group's importation and distribution agreement with its importer has a term of three years. The Target Group and its distributors might elect not to renew the agreements or otherwise terminate its business relationships for various reasons. For example, if price adjustments or other factors substantially reduce the margins the Target Group's distributors can achieve through the resales of its products to sub-distributors and hospitals or other medical institutions, they may terminate their agreements with the Target Group. If any of the Target Group's major distributors, or a significant number of its distributors, voluntarily or involuntarily suspend or terminate their relationships with it, or if the Target Group is otherwise unable to effectively maintain and expand its distribution network, its sales volume and business prospects could be materially and adversely affected.

In addition, the Target Group may not be able to offer favourable arrangements to its distributors, and any deterioration in its distributors' performance may lead to a decline in the productivity and effectiveness of its distribution network and may have a negative impact on its results of operations. The Target Group sells its products to distributors at prices agreed between it and the distributors, subject to adjustments based on market conditions. During the course of the Target Group's collaboration with distributors, it may voluntarily reduce the selling price of its products. The Target Group may also have disputes with distributors in the ordinary course of its business. All these factors can all have an adverse effect on the Target Group's business, financial condition and results of operations.

The Target Group may not be able to effectively manage its distributors or sub-distributors.

The Target Group reviews the performance of its distributors from time to time. However, its ability to manage the activities of its distributors is relatively limited. The Target Group mainly relies on its distribution agreements, policies and measures it has in place, to monitor and govern its relationships with distributors, including their compliance with laws, rules, regulations and the Target Group's policies, as well as their implementation of anti-trust, anti-corruption and anti-bribery measures. However, it is possible that the Target Group's distributors may take one or more of the following actions, any of which could have a material adverse effect on its business, prospects and reputation:

- failing to distribute its products in the manner the Target Group contemplates, impairing the effectiveness of its distribution network;

RISK FACTORS

- breaching the Target Group's agreements with them, including by selling products that have expired, or by selling products outside their designated territories or to hospitals other than their designated hospitals or engaging sub-distributors;
- failing to manage their supply chains, including logistics, and in turn affecting the distribution of the Target Group's products;
- failing to maintain the requisite licenses or otherwise failing to comply with applicable regulatory requirements when selling the Target Group's products; and
- violating anti-corruption, anti-bribery, competition or other relevant laws and regulations.

Any violation or alleged violation by the Target Group's distributors of its distribution agreements or any applicable laws and regulations could result in the erosion of the Target Group's reputation, expose it to liabilities, disrupt its distribution network or create an unfavorable public perception about the quality of its products, resulting in a material adverse effect on its business, financial condition, results of operations and prospects. In addition, the Target Group's products may also compete with similar products from its competitors sold by its distributors.

Moreover, the Target Group's distributors, where permitted by applicable laws, regulations and policies, may engage sub-distributors to distribute its products. The Target Group does not engage these sub-distributors directly or maintain contractual relationships with them, and the Target Group mainly relies on its distributors to manage and control their sub-distributors in accordance with regulatory requirements, the terms of the distribution agreements it entered into with its distributors, and the Target Group's policies and measures that its distributors agree to comply with. As a result, the Target Group has limited control over these sub-distributors. There is no assurance that the sub-distributors will comply with distribution requirements under the Target Group's distribution agreements. See "Business of the Target Group – Sales and Marketing – Sales and Distributorship – Key Terms of Distribution Agreement". Furthermore, there is no assurance that the Target Group will be able to identify or correct all the sub-distributors' practices that are detrimental to its business in a timely manner or at all. All these factors may adversely affect the Target Group's results of operations and reputation, and as there is no contractual relationship between it and these sub-distributors, the Target Group has limited legal recourse against them if their activities harm its business or reputation.

If the Target Group fails to commercialise its pipeline products, its business prospects could be adversely affected.

The Target Group's long-term competitiveness is significantly affected by its ability to commercialise its pipeline products. As at the Latest Practicable Date, the Target Group had three pipeline products, i.e., three pre-clinical siRNA candidates. One of the siRNA candidates submitted its IND application in March 2025 and received its IND approval in June 2025, for

RISK FACTORS

which the Target Group has completed patient enrollment in the second half of 2025. The other two siRNA candidates are nearing PCC confirmation and are expected to enter into IND-enabling stage in 2025. The Target Group may be unable to successfully commercialise its pipeline products. In addition, as the product development and regulatory approval process is lengthy, the competitive landscape for any pipeline products may change significantly during the development cycle and, as a result, the Target Group's pipeline products may lose the competitive advantages in pricing, efficacy or other aspects that it had anticipated. Moreover, new pipeline products may be approved for less indications than the Target Group had anticipated, which may make the products less valuable or profitable. The Target Group might also fail to develop and implement an effective marketing strategy for those products. Furthermore, the successful commercialisation of pipeline products also depends on the successful completion of clinical trials and obtaining of regulatory approvals, see "Risks Relating to the Development and Clinical Trials of the Target Group's Pipeline Products – If the Target Group is unable to successfully develop and obtain regulatory approvals for its pipeline products, or if it experiences significant delays in doing so, it may fail to continue the development and commercialisation of its pipeline products". In the event that the Target Group fails to successfully commercialise its pipeline products, its business prospects could be adversely affected.

If the Target Group fails to comply with its obligations in the in-licensing arrangements or otherwise experience disruptions to its business relationships with its licensors, it could be required to pay monetary damages or could lose the ability to continue the development and commercialisation of its pipeline products.

The Target Group has entered into in-licensing arrangements with its licensors to in-license its innovative products, including Vascepa and three siRNA candidates, and also entered into a sublicense agreement with Taizhou EOC in relation to Jing Zhu Da in 2023. These arrangements provide the Target Group with rights to various intellectual property, including rights to use patents and patent applications, and rights to develop, manufacture and commercialise in-licensed products. See "Business of the Target Group – Acquisition and In-licensing Arrangements – In-licensing Arrangements". These in-licensing arrangements impose diligence, development or commercialisation timelines and milestone payment, royalty, insurance and other obligations on the Target Group. If the Target Group fails to comply with its obligations under its current or future in-licensing arrangements, its licensors may have the right to terminate these agreements, in which event the Target Group might not be able to develop, manufacture or commercialise its products that are covered by the in-licensing arrangements or it may face claims for monetary damages or other penalties under these arrangements. In addition, the Target Group cannot assure that licensors will not breach the relevant in-licensing arrangements. If disagreements or disputes arise between the Target Group and its current licensors, the licensors may conclude that the Target Group has materially breached the in-licensing arrangements and may terminate the arrangements with it, thereby severely impacting the Target Group's ability to develop and commercialise the products. Termination of the in-licensing arrangements, or reduction or elimination of the Target Group's rights under these agreements may result in it having to negotiate new or reinstated agreements with less favourable terms, or may cause it to lose its rights under these agreements. The Target Group may also be involved in claims, disputes and legal proceedings arising from termination of in-licensing arrangements by licensors.

RISK FACTORS

The Target Group may need to obtain additional licenses from its existing licensors and other parties to advance its research or allow for manufacture and commercialisation of pipeline products. It is possible that the Target Group may be unable to obtain any additional licenses at a reasonable cost or on reasonable terms, if at all. In that event, the Target Group may be required to spend significant time and resources to redesign the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If the Target Group is unable to do so, it may be unable to develop or commercialise the affected products, which could harm its business, financial condition, results of operations and prospects significantly.

In addition, the agreements under which the Target Group licenses in intellectual property or technology from licensors are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. Disputes may arise regarding these agreements, because of factors such as the scope of rights and obligations stipulated under the agreement and other interpretation-related issues; and the extent to which the technology and other intellectual property licensed to the Target Group are protected by the intellectual property laws of relevant jurisdictions, including China.

The resolution of any contract interpretation disagreement that may arise could eliminate or narrow what the Target Group believes to be the scope of its rights to the relevant intellectual property or technology, or increase what it believes to be its financial or other obligations under the relevant agreement, either of which could have a material adverse effect on its business, financial condition, results of operations and prospects. Moreover, if disputes over intellectual property that the Target Group has in-licensed prevent or impair its ability to maintain its current licensing arrangements on commercially acceptable terms, it may be unable to successfully develop and commercialise the affected pipeline products, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Target Group operates in a highly competitive environment and it may not be able to anticipate the market opportunities for its pipeline products or compete effectively against current and future competitors.

The pharmaceutical market in China is highly competitive and is characterized by a number of established, large pharmaceutical companies, as well as some smaller emerging pharmaceutical companies. Many of the Target Group's competitors, may have substantially greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than it has. Certain of its competitors may be actively engaged in research and development in areas where the Target Group has products or where it is developing pipeline products or new indications for its products. Other companies may discover, develop, acquire or commercialise products more quickly or more successfully than the Target Group does. The Target Group's inability to compete effectively could result in decreases in sales, reduction of price and loss of market share, any of which could have a material adverse effect on its results of operations and profit margins. Furthermore, the Target Group's products compete with other similar products or treatments for which its products are indicated. Moreover, if the Target Group fails

RISK FACTORS

to control its production costs or strengthen its quality control efforts, it may lose its market share. There may also be significant consolidation in the pharmaceutical industry among the Target Group's competitors, or alliances developed among competitors that may rapidly acquire significant market share. If the Target Group is unable to maintain its products' leading market positions, its business, financial condition, results of operations and prospects may be materially and adversely affected.

The pharmaceutical industry is characterized by rapid changes in science, technology, constant enhancement of industrial know-how and frequent emergence of new products or treatment options. Future technological improvements and continuous product developments in the pharmaceutical industry may render the Target Group's products obsolete or decrease its viability and competitiveness. Therefore, the Target Group's future success will largely depend on its ability to adapt to the constantly evolving industry landscape, and to launch new products that meet evolving market demand, in particular, new products that are effective in diagnosing and/or treating diseases and illnesses. If the Target Group fails to introduce new or improved products which meet the requirements of the changing market, or if its new or improved products do not achieve adequate market acceptance, its business prospects may be materially and adversely affected.

Clinical demand for pharmaceutical products may change rapidly. The Target Group's success depends on its ability to anticipate product offering lead-time and demand, identify customer preferences and adapt its products to these preferences. The Target Group may need to adjust its research and development plan, production scale and schedule, product portfolio, and inventory levels based on customer demand, sales trends and other market conditions. The Target Group estimates the incidence and prevalence of target patient populations for particular diseases based on various third-party sources, such as scientific literature, surveys of clinics, patient groups or market research, as well as internally generated analysis. It uses such estimates in making decisions regarding its product acquisition or in-licensing strategy and product development strategy, including determining which pipeline products to focus its resources on for research and development. These estimates may be inaccurate or based on imprecise data and thus may substantially deviate from actual market conditions. There can be no assurance that the Target Group will be able to sufficiently and promptly respond to changes in market demand in the future, and such failure may have a material and adverse effect on its business, financial condition and results of operations.

If the Target Group fails to effectively compete with its competitors or adjust to structural changes in the pharmaceutical industry, its operations and financial condition may be materially and adversely affected.

RISK FACTORS

Drug adverse reactions and negative results from off-label promotion of the Target Group's products could materially harm its reputation, the product brand name and its results of operations and expose it to liability.

Products distributed or sold in the pharmaceutical market may be subject to off-label drug promotion. Off-label drug promotion is promoting a product for an indication, dosage, or in a dosage form that is not in accordance with regulatory-approved usage and labelling. Even though the NMPA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the off-label promotion and the Target Group has implemented internal compliance policies strictly prohibiting the off-label promotion of its products, there remains the risk that its product is subject to off-label drug promotion and is prescribed in a patient population, dosage, or dosage form that has not been approved by competent authorities. Occurrence of off-label drug promotion may render the Target Group's products less effective or entirely ineffective and may cause adverse drug reactions. Any of these occurrences can create negative publicity and significantly harm the Target Group's business reputation, product brand name, commercial operations and financial condition, including the Company's share price. These occurrences may also expose the Target Group to liability and cause, or lead to, a delay in the progress of its clinical trials and may also ultimately result in failure to obtain regulatory approval for its drug candidates.

Counterfeits of the Target Group's products could negatively affect its sales, damage its reputation and the brand names for the relevant products and expose it to liability claims.

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system may be inadequate to eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating the Target Group's products. During the Track Record Period, the Target Group was not aware of any counterfeits of its products. However, 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 the Target Group's products can quickly erode its sales volume of the relevant products. Moreover, counterfeit products may or may not have the same chemical composition as the Target Group's products, which may make them less effective than its products, entirely ineffective or even cause severe adverse side effects. This could expose the Target Group to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against the Target Group. The existence and prevalence of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in recent years from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in relevant markets among consumers, and may harm the reputation and brand names of companies like the Target Group. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect the Target Group's sales, damage its reputation and the brand names for the relevant products and expose it to liability claims.

RISK FACTORS

If the Target Group fails to maintain its relationships with the MNCs for which it markets and sells products, or if the products supplied by such MNCs are not manufactured in compliance with necessary quality standards, its business, financial condition and results of operations may be materially and adversely affected.

As at the Latest Practicable Date, the Target Group entered into an exclusive marketing and distribution agreement for marketing and selling Recormon. The Target Group may also enter into the exclusive marketing and distribution agreements with MNCs for other products from time to time in the future. If these MNCs fail to supply the products to the Target Group, in adequate quantities on a timely basis or at commercial terms acceptable to it, the Target Group may lose revenues from such products. In addition, the Target Group has no control over these MNCs, including with respect to their regulatory compliance and quality assurance matters. Moreover, any manufacturing defect or error discovered after the products have been produced and distributed could result in even more significant consequences, including costly recall procedures, logistics and storage costs, damage to the products' and the Target Group's reputation, and potential product liability claims. Termination of any of these exclusive distribution agreements could lead to reductions of the Target Group's revenues and harm its relationships with these MNCs. Furthermore, disputes could also arise between the Target Group and these MNCs, and it may need to renegotiate or amend its agreements due to circumstances out of its control. These types of disputes and renegotiations could be both expensive and time-consuming to resolve and may result in disruption in the sale of the Target Group's products or damage its relationships with these MNCs.

Acting as an agent authorized by drug owners to market and distribute Jing Zhu Da may expose the Target Group to business and regulatory risks.

During the Track Record Period, the Target Group marketed and distributed Jing Zhu Da as an agent. Acting as an agent authorized by drug owners, i.e. the principals, exposes the Target Group to various business and regulatory risks. From a business perspective, the Target Group's role as an agent inherently limits its control over critical aspects of the products, including manufacturing, pricing, and supply chain management, which are primarily handled by the principal. This lack of control could hinder the Target Group's ability to effectively address market dynamics or operational disruptions. Furthermore, the marketing and promotion of these products remain subject to stringent regulatory oversight, and any non-compliance with applicable laws and regulations by the principal or third-party distributors may result in reputational, financial, or operational risks for the Target Group, even if such non-compliance is beyond its direct control. If such risks materialize, they could significantly affect the Target Group's business operations and financial performance.

RISK FACTORS

Risks Relating to the Manufacture and Supply of the Target Group's Products

The Target Group relies on certain third-party contract manufacturing organisations ("CMOs") and suppliers for its products, and as a result, its business could be harmed if those third parties fail to provide it with sufficient quantities of products or fail to do so at acceptable quality levels, lead time or prices.

The Target Group currently engages certain third-party CMOs and suppliers for its commercialized products. For example, the Target Group purchases APIs, raw materials, packaging materials and semi-finished products across different CMOs and suppliers located in Europe and the U.S.. Reliance on third-party manufacturers and suppliers would expose the Target Group to the following risks:

- it may be unable to identify CMOs or suppliers on acceptable terms or at all because the number of potential manufacturers and suppliers for APIs is limited and the NMPA or other comparable regulatory authorities must evaluate and approve any manufacturers as part of their regulatory oversight of its products;
- the production capacity of its CMOs may limit their supplies, potentially leading to a little to no increase or even a decrease in sales volume for its products, despite the strong market demand for its products. Under such circumstances, it may also be unable to engage additional CMOs to increase the production capacity for its products;
- its CMOs or suppliers might be unable to manufacture or supply sufficient APIs, raw materials, semi-finished products or finished products for its products, or produce the quantity and quality required to meet its commercial needs in a timely manner, due to reasons such as regulatory requirements or actions, adverse financial developments of the CMOs or suppliers, unexpected demand and/or labour shortages or disputes, resulting in constraint on its supply chain;
- its procurement from foreign suppliers involves export and import processes which may cause significant delay due to factors out of its control, such as declaration, drug inspection, customs clearance, inspection and quarantine;
- its CMOs and suppliers are subject to ongoing periodic spot check by the regulatory authorities. It does not have control over CMOs' and suppliers' compliance with these regulations and requirements;
- it may not be able to renew its agreements with its CMOs and suppliers, or its agreement with those CMOs and suppliers may be terminated for various reasons;
- it may not own, or may have to share, the intellectual property rights to any improvements made by its CMOs or suppliers in the manufacturing process for its pipeline products;

RISK FACTORS

- its CMOs and suppliers may not properly obtain, protect, maintain, defend or enforce its or its licensors' intellectual property rights or may use its or its licensors' intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardise or invalidate its intellectual property or proprietary information or expose it to potential liability;
- geopolitical conditions, trade war, regulatory embargoes and policy changes on importation and exportation between different countries and regions (such as China, the United States and Europe) may result in delays or shortages in the supply of its raw materials and finished products;
- its CMOs and suppliers may infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- raw materials and components provided by its CMOs and suppliers for its manufacturing process may not be available or may not be suitable or acceptable for use due to material or component defects;
- its CMOs or suppliers may be subject to natural or man-made disasters, epidemics, hostilities, social unrest, and other factors out of their control that disrupted their business operations; and
- its manufacturing costs may fluctuate due to movements in foreign exchange rates as it works with overseas CMOs and suppliers.

Each of these risks could result in higher costs or adversely impact commercialisation of the Target Group's products. A reduction in, or lack of availability of, any supplies, or interruptions in the supply chain, may impact the Target Group's results of operations and financial condition to the extent that it is required to pay higher prices for, or are unable to secure adequate supplies of, the necessary CMO services or raw materials. The Target Group may not be able to transfer the increasing costs of CMO services and raw materials to its customers in a timely manner, or at all, and may thus increase its cost of sales and negatively affect its profit margins and, more generally, its business, financial conditions, results of operation and prospects. In addition, a change in suppliers could require the Target Group to exercise significant efforts or make investments, in circumstances where the items or services supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on the Target Group. The Target Group may fail to work with CMOs and suppliers to monitor and prevent unfavorable conditions. Moreover, if the Target Group changes suppliers for APIs, it may need to obtain relevant approval from the NMPA. The Target Group cannot assure you that it would obtain such approval in a timely manner, or at all. As a result, the Target Group may have difficulty establishing additional or replacement sources in a timely manner or at all if the need arises. Furthermore, the Target Group may not be able to identify suitable replacement on reasonable terms or at all if such supply was subsequently found to not be in compliance with its quality standards or resulted in quality failures or product contamination. As a result, the Target Group's ability to satisfy demand for its products could be harmed, which could materially and adversely affect its business operation and operating results.

RISK FACTORS

If the Target Group suffers substantial disruption to any of its manufacturing facilities, or encounter problems in manufacturing its products, its business and results of operations could be adversely affected.

The Target Group's finished Ceclor products are manufactured in its manufacturing facility located in Suzhou, which was acquired from Eli Lilly in October 2019. The Target Group also started to manufacture FPN in February 2024. The operation of manufacturing facilities and the Target Group's production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of its control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, IT system and business support system breakdowns, upgrades, updates or replacement, terrorist attacks and wars, or other natural disasters and disease outbreaks, as well as loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities or changes in relevant laws and regulations. Moreover, the Target Group's track record of FPN production is relatively short. The Target Group relies on manufacturing technologies and know-how transferred from independent third parties, and if it fails to maintain any manufacturing technologies and know-how due to any reason, its production may also be substantially interrupted.

If the operation of the Target Group's manufacturing facility is substantially disrupted, it may not be able to replace the equipment or inventories at such facility, or find substitute third-party contractor to continue its manufacturing in a legal, timely and cost-effective manner or at all. The amount of the Target Group's property insurance covering its manufacturing facilities and equipment may not be sufficient to cover its losses in the event of a significant disruption to any of its manufacturing facility. Problems may also arise during manufacturing for a variety of reasons, including failure to maintain a stable production team or retain the Target Group's experienced manufacturing employees with production know-how, equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, facility maintenance, delays related to the construction of new sites or the expansion of its existing manufacturing facility, limits to manufacturing capacity due to regulatory requirements, changes in the types of products manufactured, physical limitations that could inhibit continuous supply, man-made or natural disasters, and environmental factors. As a result of disruption to any of the Target Group's manufacturing facility or any problems in manufacturing its products, it may fail to fulfil contract obligations or meet market demand for its products, and its business as well as financial condition could be adversely affected.

If the Target Group's products are not manufactured in compliance with the necessary quality standards, its business and reputation could be harmed, and its financial condition could be adversely affected.

The Target Group's products and manufacturing processes, including those of its own manufacturing facilities and its CMOs, are required to meet high quality standards. This is especially the case for the Target Group's originator-branded drugs, which are the reference drugs for the Generic Quality Consistency Evaluation ("GQCE") in China. The NMPA and other comparable regulatory authorities may also conduct inspections as required by relevant

RISK FACTORS

laws and regulations. The Target Group's quality control system and standard operating procedures and its CMOs' quality assurance measures may fail to eliminate the risk of errors, defects or failure. The Target Group may fail to detect or resolve quality defects in its manufacturing process or ensure its CMOs' compliance with its quality standards as a result of a number of factors, many of which are outside the Target Group's control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by its quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials it purchases or produces.

In addition, if the Target Group expands its manufacturing capacity in the future, it may not be able to ensure consistent quality between products manufactured in the existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if the Target Group acquires other manufacturing facilities, it may not be able to immediately ensure that such manufacturing facilities and procedures will meet its own quality standards.

If problems arise during the production of a batch of product, that batch of product may have to be discarded and the Target Group may experience product shortages or incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches of products.

Failure to detect quality defects in the Target Group's 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 problems that could seriously harm its reputation and business, expose the Target Group to liability, and adversely affect its financial condition.

Failure to effectively manage the Target Group's supply chain could increase its operating costs, or result in manufacturing delays that lead to unfulfilled customer orders, either of which could have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Target Group's operations significantly depend on its ability to manage its supply chain effectively to successfully meet its customers' demand while exposing it to low inventory risk. However, as a result of rapidly changing market demand, fluctuation in the supply market and the volatile economic environment globally, there can be no assurance that the Target Group is able to continue to manage its supply chain, such as manage CMOs, suppliers and logistic service providers, especially those outside China, effectively. Further, demand for

RISK FACTORS

products could change significantly between the time when the products are ordered and the time when they are ready for delivery. It also is particularly difficult to forecast product demand accurately when the Target Group begins to sell a new product. If the Target Group underestimates demand for its products, it may experience inventory shortages which may, in turn, result in unfulfilled customer orders, leading to a negative impact on its customer relationships. Conversely, overestimated demand for its products by the Target Group could adversely affect its cash flows, cash positions and financial conditions. There can be no assurance that the Target Group will be able to maintain proper inventory levels for its products, and any such failure may have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Target Group may fail to adequately manage its inventory.

The Target Group is required to maintain proper finished product and raw material inventory levels in order to satisfy demand coming from its extensive distribution network and successfully meet its customers' demand. However, the Target Group is exposed to inventory risk as a result of changes in product life cycles, changing clinical demands, license renewals, uncertainty of product developments and launches, system upgrades, as well as the fluctuations in the global and domestic economic environment. There can be no assurance that the Target Group can accurately predict these trends and events and avoid over-stocking or under-stocking its products and raw materials. Further, demand for products could change significantly between the time when the products are ordered and the time they are ready for delivery. When the Target Group begins to sell a new product, it is particularly difficult to forecast product demand accurately.

The Target Group has implemented an inventory management system that monitors each stage of the warehousing process. The Target Group's supply chain management team is responsible for providing rolling forecast and placing orders to CMOs and suppliers for its products and raw materials based on its forecast of market demands and estimated safe inventory level for its products and raw materials. However, the Target Group may be unable to sell or utilise such inventory in a timely manner or at all. Inventory levels in excess of demand may result in inventory write-downs, expiration of the Target Group's products and raw materials or an increase in inventory holding costs and a potential negative effect on its liquidity. In addition, if the Target Group underestimates demand, it may experience inventory shortages which may, in turn, result in unfulfilled customer orders, leading to a negative impact on its customer relationships. During the Track Record Period, the Target Group recorded inventories of RMB368.1 million, RMB306.2 million, RMB552.8 million and RMB534.9 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively. The Target Group's inventory turnover days amounted to 193 days, 154 days, 189 days and 262 days in 2022, 2023 and 2024, and the six months ended 30 June 2025, respectively. . There can be no assurance that the Target Group will be able to maintain proper inventory levels of its products and raw materials, and any such failure may have a material and adverse effect on its business, financial condition, results of operations and prospects.

RISK FACTORS

Failure to effectively manage risks of product obsolescence could materially and adversely impact the business operations and financial performance of the Target Group.

The Target Group faces the inherent risk of product obsolescence due to the dynamic nature of the pharmaceutical and healthcare industry. The market demand and commercial viability of its products may be affected by a range of factors, including but not limited to evolving clinical practices, the introduction of competing or substitute therapies, progress in medical research, renewal or expiry of product licences, regulatory changes, technological advances, and system or production upgrades. These developments may shorten product life cycles and significantly alter the marketability of the Target Group's existing products.

If the Target Group fails to accurately anticipate or effectively respond to such changes, certain products in its portfolio may become obsolete or less competitive. This could in turn result in the write-down or expiration of inventory, reduced sales, lower profit margins, increased inventory holding costs, and disruption to relationships with customers and distributors. In particular, if the Target Group is unable to identify and bring new products to market in a timely manner to replace or supplement products that face obsolescence, its overall product portfolio and revenue base may be adversely affected.

There can be no assurance that the Target Group will be able to effectively manage the risks of product obsolescence. Any inability to do so could have a material and adverse effect on the Target Group's business operations, financial condition, results of operations and prospects.

Risks Relating to the Development and Clinical Trials of the Target Group's Pipeline Products

If the Target Group is unable to successfully develop and obtain regulatory approvals for its pipeline products, or if it experiences significant delays in doing so, it may fail to continue the development and commercialisation of its pipeline products.

The Target Group's business growth will be affected by its ability to develop, obtain regulatory approvals and commercialise its pipeline products in time or at all. During the Track Record Period, the Target Group invested significant efforts and financial resources in its pipeline products. As at the Latest Practicable Date, the Target Group had three pre-clinical siRNA candidates. The success of the Target Group's pipeline products will depend on several factors, including:

- obtaining desired safety and efficacy results in pre-clinical and clinical studies;
- successful patient enrolment in, and completion of, clinical trials;
- the performance by contract research organisations ("CROs"), or other third parties it may retain to conduct clinical trials, of their duties to the Target Group in a manner that complies with its protocols and applicable laws and that protects the integrity of the resulting data;

RISK FACTORS

- obtaining sufficient supplies, including, where applicable, suppliers from its in-licensors, that may be necessary for use in clinical trials for evaluation of its pipeline products;
- favourable safety and efficacy data from its clinical trials and other studies;
- receipt of regulatory approvals in a timely manner for the development and commercialisation of its pipeline products;
- developing sufficient commercial manufacturing capabilities;
- successfully launching commercial sales of its pipeline products, if and when approved;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for its innovative pipeline products;
- ensuring that the Target Group does not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- gaining competitive advantage over other pipeline products and products; and
- continued acceptable safety profile for its pipeline products following regulatory approval, if and when received.

If the Target Group experiences difficulty in one or more of these factors, it may not be able to commercialise its pipeline products in time or at all. Its business may be materially harmed as a result and the Target Group may not be able to generate sufficient revenues and cash flows to continue its operations.

There can be no assurance that the Target Group's pre-clinical and clinical development activities will be completed as planned or at all or that it will make regulatory submissions or receive regulatory approvals as planned after completion of clinical trials or that it will be able to adhere to its current schedule for the launch of any of its product candidates. In addition, the Target Group is subject to various product development milestone payments under the licensing agreements of its pipeline products. See "Business of the Target Group – Acquisition and In-licensing Arrangements – In-licensing Arrangements". If the Target Group fails to achieve one or more of these milestones as planned, it could adversely affect its business prospects.

RISK FACTORS

The Target Group may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialisation of its pipeline products.

The Target Group may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent its ability to complete the clinical trials, receive regulatory approval or commercialise its pipeline products, including:

- regulators may not authorise it to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- access to trial sites may be temporarily unavailable due to various factors, some of which may be beyond its control;
- clinical trials of its pipeline products may produce negative or inconclusive results, and it may decide, or regulators may require it, to conduct additional clinical trials or abandon product development programs;
- pipeline products in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials;
- its pipeline products, or the substance of its pipeline products, may prove to cause adverse events, have undesirable side effects or other unexpected characteristics, causing it to suspend or terminate the trials or bear large compensation for personal injury;
- its inability to find appropriate replacements or enter into arrangements with alternative CROs on commercially reasonable terms in a timely manner, if the Target Group terminated its relationship with any CROs;
- its inability to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- its CROs may fail to comply with regulatory requirements, such as applicable good clinical practices (“GCPs”), or meet their contractual obligations to it in a timely manner, or at all;
- its insurance coverage for the clinical trials may not be sufficient to cover all of the losses or claims that it faces;
- its other third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to it in a timely manner, or at all;
- clinical trials of its pipeline products may produce negative or inconclusive results, and additional clinical trials or abandoning product development programs may be required;

RISK FACTORS

- the number of patients required for clinical trials of its pipeline products may be larger than it anticipates, enrolment may be insufficient or slower than it anticipates or patients may drop out at a higher rate than it anticipates;
- it might have to suspend or terminate clinical trials of its pipeline products for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;
- regulators may require it to suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements;
- the cost of clinical trials of its pipeline products may be greater than it anticipates; and
- the supply or quality of its pipeline products, companion diagnostics or other materials necessary to conduct clinical trials of its pipeline products may be insufficient or inadequate.

If the Target Group is required to conduct additional clinical trials or other testing of its pipeline products beyond those that it currently contemplates, or if it is unable to successfully complete clinical trials of its pipeline products or other testing, the Target Group may be delayed in obtaining regulatory approval for its pipeline products or not obtain regulatory approval at all.

Significant clinical trial delays may also increase the Target Group's development costs and could shorten any periods during which it has the exclusive right to commercialise its pipeline products or allow its competitors to bring products to market before it does. This could impair the Target Group's ability to commercialise its pipeline products and may harm its business and results of operations.

The Target Group may allocate its limited resources to pursue a particular product candidate or indication and fail to capitalise on pipeline products or indications that may later prove to be more successful or for which there is a greater likelihood of success.

As the Target Group has limited human and financial resources, it must limit its research and development programs to specific pipeline products that it identifies for specific indications. As a result, the Target Group may forego or delay pursuit of opportunities with other pipeline products or for other indications that later prove to have greater commercial potential. The Target Group cannot assure you its strategies will ultimately turn out to be advantageous. The Target Group's resource allocation decisions may cause it to fail to capitalise on viable commercial drugs or market opportunities. In addition, if it does not accurately evaluate the commercial potential or target market for a particular product candidate, the Target Group may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements when it would have been more

RISK FACTORS

advantageous for it to retain sole development and commercialisation rights to such product candidate. Such developments could have a material adverse effect on the Target Group's business, financial condition and results of operations.

Risks Relating to Extensive Government Regulation

The pharmaceutical industry is one of the highly regulated industries. Compliance with relevant laws, rules, government regulations or industry practices, may result in additional costs.

The pharmaceutical industry is subject to extensive government regulation and supervision. The Target Group is governed by various local, regional and national regulatory regimes in various aspects of its operations, including licensing and certification requirements and procedures for manufacturers of pharmaceutical products, operating and safety standards, as well as environmental protection regulations. There can be no assurance that the legal framework, licensing and certification requirements or enforcement trends in the Target Group's industry will not change in a manner that may result in increased costs of compliance, or that it will be successful in responding to such changes. In addition, the Target Group is subject to the risk of adverse changes to favourable policies from which it currently benefits, and the introduction of unfavorable policies. The costs the Target Group incurred to comply with these laws and regulations, including those related to environmental protection, may materially increase its total costs and adversely affect its financial condition.

Changes in laws, rules, government regulations or in practices relating to the pharmaceutical industries, such as a relaxation in regulatory requirements or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may cause difficulty for the Target Group to satisfy such requirements, may have a material adverse impact on its business, financial condition, results of operations and prospects. The Target Group's licensors and other MNCs gain exposure to the China market through in-license arrangements or distribution agreements with it. The Target Group's business operation is also subject to other PRC regulations, including regulations in relation to the centralised drug procurement scheme, the "two-invoice" system, the marketing authorisation holder ("MAH") system, the import of drugs and data privacy. Regulators have changed and may continue to change these regulations. If there are any alterations of relevant regulations which materially and adversely affects the Target Group's business or its collaboration with MNCs or other regulations relevant to it, its business, financial condition, results of operations and prospects may be materially and adversely affected as well.

RISK FACTORS

The Target Group's products may fail to comply with ongoing regulatory requirements applicable to it.

The Target Group's commercialized products are, and any pipeline products, once approved, will be, subject to ongoing regulatory requirements with respect to manufacturing, labelling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-market studies, submission of safety, efficacy and other post-market information, and other requirements of regulatory authorities in China and/or other countries.

The Target Group, its CMOs, the relevant MNCs for whom it distributes products, and relevant manufacturing facilities are required to comply with extensive regulatory requirements from the NMPA and/or other comparable authorities. As such, the Target Group is and will be subject to continuous review and inspections by the regulators in order to assess its compliance with applicable laws and requirements and adherence to commitments it made in any application materials with the NMPA or other authorities. Accordingly, the Target Group must continue to devote time, money and effort in all areas of regulatory compliance and may be adversely affected by any non-compliance of its CMOs or the relevant MNCs.

The regulatory approvals for the Target Group's products are, and any approvals that it receives for its pipeline products may be, subject to limitations on the indicated uses for which its product may be marketed. The approvals the Target Group obtains may also be subject to other conditions which may require potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of its products or drug candidates. Such limitations and conditions could adversely affect the commercial potential of the Target Group's products.

The NMPA or comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if the Target Group's CMOs or the relevant MNCs fail to maintain compliance with these ongoing regulatory requirements or if problems occur after the product reaches the market. Later discovery of previously unknown problems with the Target Group's products or product candidates or with its manufacturing processes may result in revisions to the approved labelling or requirements to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the Target Group's products, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or 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 the Target Group or suspension or revocation of license approvals or withdrawal of approvals;

RISK FACTORS

- product seizure or detention, or refusal to permit the import or export of the Target Group's products and pipeline products; and/or
- injunctions or the imposition of civil or criminal penalties.

The NMPA and other regulatory authorities strictly regulate the marketing, labelling, advertising and promotion of products placed on the market. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The additional government regulations may be enacted by the NMPA and other regulatory authorities that could affect or delay regulatory approval of the Target Group's pipeline products. The Target Group cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or abroad, where the regulatory environment is constantly evolving. If the Target Group is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, it may lose any regulatory approval that it has obtained and its business, financial condition and results of operations may be adversely affected.

The Target Group and its business partners may fail to obtain or renew certain approvals, licenses, permits and certificates required for the development, production, sales and distribution of its products or fail to comply with relevant regulations and industry standards.

The Target Group is required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell its products. Third parties, such as distributors, CROs and CMOs, on whom it may rely on to develop, produce, promote, sell and distribute its products may be subject to similar requirements. The Target Group and third parties on whom it relies on may be also subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates, subject the Target Group to penalties, and increase its compliance costs. For example, the Target Group holds the imported drug license (“**IDL license**”) for its imported key products, namely Vancocin, FPN and Mulpleta. The Target Group is currently in the process of transferring the IDL license for Vascepa to its name. The term of an IDL license is five years in China. In order to renew an IDL license, the holder need to submit a renewal application to the Centre for Drug Evaluation (國家藥品監督管理局藥品審評中心) (“**CDE**”) at least six months prior to the expiry of the IDL license. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that the Target Group or the parties on whom it relies will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates.

RISK FACTORS

Many of such permits, licenses and certificates are material to the operation of the Target Group's business, and if the Target Group or parties on whom it relies fail to maintain or renew material permits, licenses and certificates, its ability to conduct its business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations (including those in relation to product approval, sales, manufacturing, labour, health and safety, and tax) develop, or new regulations come into effect, requiring the Target Group or parties on whom it relies to obtain any additional permits, licenses or certificates that were previously not required to operate its business, there can be no assurance that the Target Group or parties on whom it relies will successfully obtain such permits, licenses or certificates. The Target Group's failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of its business, decrease its revenues and increase its costs, which could materially affect its financial condition and prospects.

The Target Group faces regulation and potential liability related to privacy, data protection and information security which may require significant resources and may adversely affect its business, operations and financial performance.

The Target Group routinely receives, collects, generates, stores, processes, transmits and maintains medical data treatment records and other personal details of subjects enrolled in its clinical trials. As such, the Target Group is subject to the relevant local, state, national and international data protection and privacy laws, directives, regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which it operates and conducts its clinical trials, as well as contractual obligations. These data protection and privacy law regimes continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance including, for example, substantial operational costs associated with changes to its data processing practices. Any misconduct or negative publicity related to the Target Group may have negative impact on the Target Group, including fines, imprisonment of company officials and public censure, claims for damages by customers and other affected individuals, damage to its reputation and loss of goodwill, any of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In recent years, the PRC government has promulgated an increasing number of laws and regulations governing the various aspects of information security, data collection and privacy protection, including, among others, 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》) which became effective from 1 September 2021, and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) which became effective from 1 November 2021. Under the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), prior consent shall be obtained from the individual when personal information is being processed, unless explicitly permitted under certain circumstances. Furthermore, any data processing activities in relation to sensitive personal

RISK FACTORS

information such as biometrics, medical health and personal information of teenagers under fourteen years old are not allowed unless such activities have a specific purpose, are highly necessary and strict protective measures have been taken. Certain industry-specific laws and regulations may also affect the collection and transfer of personal data in China, including Administrative Regulations on 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》) issued by the State Council of the PRC (中華人民共和國國務院) (“**State Council**”). It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with the Target Group's clinical trial practices, potentially resulting in the confiscation of human genetic resources samples and associated data and administrative fines. Such data protection and privacy laws and regulations generally require clinical trial sponsors and investigators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. If such institutions or personnel divulge the subjects' private or medical records without their consent, they could be held liable for the damage caused. In addition, the Target Group's information technology systems could be breached through hacking activities, and personal information could be leaked due to theft or misuse of personal information arising from misconduct or negligence. Furthermore, the Target Group's clinical trials frequently also involve professionals from third-party institutions working with its staff and enrolled subjects. The Target Group cannot ensure that such persons will always comply with its data privacy measures. The Target Group also cooperates with third parties including hospitals, CROs and other third-party contractors and consultants for its clinical trials and operations. Any leakage or abuse of patient data by the Target Group's third-party partners may be perceived by the patients as a result of its failure. Any change in the applicable laws and regulations could affect the Target Group's ability to use medical data and subject it to liability for the improper use of such data. Any failure or perceived failure by the Target Group to prevent information security breaches, or any compromise of information security that results in the unauthorized release or transfer of personally identifiable information or other patient data, could cause its customers to lose trust in it and could expose the Target Group to legal claims.

Changes in the political and economic policies globally and in the Target Group's principal place of business, as well as the interpretation and enforcement of applicable laws, rules and regulations, may affect its business, financial condition and results of operations and may result in its inability to sustain its growth and expansion strategies.

During the Track Record Period, substantially all of the Target Group's business operation were located in China, its business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on the Target Group. For example, the Target Group's financial condition and results of operations may be adversely affected by changes in government grants granted or currently applicable to it.

RISK FACTORS

The Group's and Target Group's business and prospects are also affected by global geopolitical, economic, trade and regulatory changes. For example, 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. Prior to April 2025, finished pharmaceutical products imported from the U.S. were not subject to tariffs in China. Beginning on 4 April 2025, China began imposing additional tariffs in phases, with rates reaching a peak of 125%. Subsequently, on 13 May 2025, the tariff rate was adjusted to 10%. From 4 April 2025 to 13 May 2025, when the above-mentioned tariffs changed significantly, the Target Group's purchases from the U.S. were nil. The Target Group only has minor revenue from the U.S., being nil, nil, RMB10.0 million, RMB5.6 million and RMB2.4 million for the years ended 31 December 2022, 2023, and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for nil, nil, 0.4%, 0.4% and 0.2% of its total revenue in the corresponding period, respectively. The Target Group procured APIs from Japan and export them to the U.S. These APIs were subsequently processed into finished goods and sold to customers in the the U.S., and the Target Group recognized revenue accordingly. During the Track Record Period, the U.S. tariffs on APIs imported from Japan were consistently 6.5%, without any additional tariffs being imposed. The Target Group has entered into licensing-in agreements with certain global pharmaceutical companies, which are currently not subject to direct restrictions under existing U.S. export controls as they do not typically involve the physical export of controlled technologies from the U.S. to the Target Group. As at the Latest Practicable Date, the Target Group did not experience significant regulatory changes or obsolescence regarding its clinical trials, NDA approvals, and cross-border clinical data transfer, nor did it have any ongoing R&D activities located in the U.S.. Considering the above-mentioned de minimis financial and operational exposure, the Target Directors are of the view that there was no material adverse effect on the Target Group's financial condition and results of operations from these tariff changes during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, the Group did not recognise any revenue from the U.S. for sale of products. The Group has entered into a licensing-in agreement in respect of GB491 with a global pharmaceutical company, which does not involve the physical export of controlled technologies from the U.S. to the Group, hence not subject to the aforesaid export control. In respect of commercial rights of the key pipeline products of the Group, the relevant territories of the Company's commercial rights of GB491 are in respect of certain countries in the Asia Pacific and an exclusive worldwide license has been granted to Candid Therapeutics, Inc. to develop, use, manufacture, commercialize and otherwise exploit GB261, excluding the Chinese Mainland, Hong Kong, Macau and Taiwan. During the Track Record Period and up to the Latest Practicable Date, the Company has not exported any finished pharmaceutical products to the U.S. from China, and none of the Company's finished pharmaceutical products have been subject to tariffs in the U.S. In view of the foregoing, the Directors are of the view that there was no material adverse effect on the Group's financial condition and results of operations from the said US tariff changes. Based on the independent due diligence conducted, nothing material has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to disagree in any material aspect with the aforementioned views of the Target

RISK FACTORS

Directors and Directors. However, this trade tension, particularly the tensions between China and the U.S., could last for an extended period, which may affect the Target Group and the Group's business plans in the relevant jurisdictions in the future. Although finished pharmaceutical products imported from China, which include those of the Target Group's products, were not subject to tariffs in the U.S. since 2022, it remains unclear whether any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated. As a result, the global trade patterns and economic growth in China, the U.S., and globally could be materially and adversely affected, which could harm the Group and the Target Group's business prospects and results of operations.

More generally, if the business environment in the Target Group's principal place of business deteriorates from the perspective of domestic or international investment, its business may also be adversely affected. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect the Target Group's business operations.

The Target Group may be subject to the approval or other requirements of the CSRC or other PRC government authorities in connection with future capital raising activities.

On 17 February 2023, the China Securities Regulatory Commission (中國證券監督管理委員會) (“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 relevant supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any such domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

As advised by the PRC Legal Advisers, the Target Group is required to go through the filing procedures with the CSRC under the Overseas Listing Trial Measures. The Target Group will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures and seek guidance from the relevant regulator and/or its legal advisers to ensure its compliance in all respects. It is uncertain whether the Target Group's future financing activities will be able to complete such filings in accordance with its expected timelines in accordance with such regulatory requirements. Any failure to complete such filings may subject the Target Group to further penalties or other regulatory measures by the CSRC or other PRC government authorities. Furthermore, such failure may adversely affect the Target Group's ability to finance the development of its business.

RISK FACTORS

Risks Relating to the Target Group's Intellectual Property Rights

The Target Group's rights to develop and commercialise its in-licensed pipeline products are subject, in part, to the terms and conditions of licenses granted to it by its licensors.

The Target Group relies on licenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development, manufacture or commercialisation of its pipeline products and certain of these third parties from which it has been granted licenses themselves rely on licenses from other third parties. These and other licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use or in all territories in which the Target Group may wish to develop or commercialise its pipeline products. As a result, the Target Group may not be able to prevent competitors from developing and commercialising competitive drug products in territories included in all of its licenses. In addition, the Target Group may not have the right to control the preparation, filing, prosecution, maintenance, enforcement or defence of patents and patent applications covering the pipeline products for which it has been granted license from third parties. Therefore, the Target Group cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with the best interests of its business. If the Target Group's licensors fail to prosecute, maintain, enforce or defend such patents, or lose rights to those patents or patent applications, the rights it has in-licensed may be reduced or eliminated, and the Target Group's right to develop and commercialise any of its products that are subject of such in-licensed rights could be adversely affected.

In spite of the Target Group's best efforts, its licensors might conclude that it has materially breached its in-licensing agreements and might therefore terminate the in-licensing agreements, thereby removing its ability to develop and commercialise products covered by these in-licensing agreements. If any of its licensors goes bankrupt, some or all of its rights under the licensing agreements may be rejected during the bankruptcy proceeding. See "Business of the Target Group – Collaboration with Licensors". As such, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. In addition, the Target Group may seek to obtain additional licenses from its licensors in a manner that may be more favourable to the licensors, including by agreeing to terms that could enable third parties (potentially including its competitors) to receive licenses to a portion of the intellectual property that is subject to its existing licenses. Any of these events could have a material adverse effect on the Target Group's competitive position, business, financial conditions, results of operations and prospects.

RISK FACTORS

The Target Group depends on patents, trademarks, trade secrets, know-how and other forms of intellectual property protections for certain of its products and pipeline products, but these protections may not be adequate and the Target Group may not be able to prevent unfair competition by third parties.

The Target Group relies on a combination of patent, trademark, trade secrets, know-how and other forms of intellectual property protections for certain of its products and pipeline products to protect its intellectual property. It also relies on unregistered proprietary rights, including know-how and trade secrets related to development, manufacturing and commercialisation of its products and pipeline products. Confidentiality agreements entered into between the Target Group and its employees and other third parties prohibiting them from disclosing proprietary information or technology may not provide meaningful protection for it, and may not effectively prevent leakage or unauthorized disclosure of trade secrets and other proprietary information. Third parties who are not party to the Target Group's confidentiality agreements may obtain access to its trade secrets or know-how. The Target Group's competitors may independently develop similar or equivalent trade secrets or know-how. The disclosure or use of the Target Group's intellectual properties or technologies by third parties, including its competitors, could reduce or eliminate any competitive advantage the Target Group has developed, cause it to lose sales opportunities or otherwise harm its competitive position, which could have a material adverse effect on its business, financial condition and results of operations.

The Target Group may fail to maintain sufficient intellectual property protections due to numerous circumstances out of its control, including:

- the Target Group relies on its trademarks to differentiate it from its competitors, and as a result, it may be unable to prevent third parties, including its distributors, from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate its trademark rights;
- patents may be invalidated and patent applications may not be granted for a number of reasons, including lack of novelty or inventiveness of the underlying invention, or other known or unknown deficiencies in the patents or patent applications;
- the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance;
- the Target Group's patents may be challenged in examination or confirmation proceedings declared by the CNIPA or other related intellectual property offices, or the courts or patent offices in the PRC and other countries; and
- the Target Group may face competition for any approved pipeline products even if it successfully obtains patent protection once the patent life has expired for the product.

RISK FACTORS

Many companies have encountered significant problems in protecting and defending intellectual property rights. The legal systems of some countries do not favour the enforcement of patents, trade secrets and other intellectual property, particularly those relating to products, which could make it difficult for the Target Group in those jurisdictions to defend the infringement or misappropriation of the Target Group's patents or other intellectual property rights, or the marketing of competing products in violation of its proprietary rights.

In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Under the Patent Law of the PRC (《中華人民共和國專利法》), as amended, patent applications are maintained in confidence until their publication at the end of 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed. Therefore, the Target Group cannot be certain that it was the first to file for patent protection of such inventions. Furthermore, China 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. Under the first-to-file system, if a third party can establish that the Target Group or its licensors were not the first to file for patent protection of such inventions, its owned and in-licensed patent applications may not issue as patents and even if issued, may be challenged or invalidated or ruled unenforceable. In addition, under PRC patent law, any organisation or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The Target Group or its licensors may be involved in lawsuits to protect or enforce its intellectual property or its licensors' intellectual property, which could be costly and uncertain, and may lead its patent rights or other intellectual property to be found invalid or unenforceable.

Third parties such as competitors may infringe, misappropriate or otherwise violate the Target Group's or its licensors' intellectual property rights. Litigation may be necessary to enforce or defend its or its licensors' intellectual property rights. The Target Group or its licensors may not prevail in any lawsuits that it initiates, the damages or other remedies award, if any, may not be commercially meaningful, or a court may refuse to stop the other party from using the technology at issue on the grounds that its or its licensors' intellectual property rights do not cover the technology in question. Accordingly, the Target Group's or its licensors' efforts to enforce the intellectual property rights may be inadequate to obtain a significant commercial advantage from the intellectual property that the Target Group develops or licenses.

RISK FACTORS

Third parties may also raise similar claims of challenges to the validity or enforceability of the Target Group's or its licensors' patents before administrative bodies in China or in a foreign country, even outside the context of infringement litigation. Such mechanisms include re-examination, invalidation, *inter partes* review, post-grant review, and equivalent proceedings in foreign jurisdictions, such as opposition or derivation proceedings. Such proceedings could result in revocation or amendment to the Target Group's or its licensors' patents in such a way that they no longer cover and protect its product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Third parties might allege that the Target Group is infringing their patent rights or that it has misappropriated their trade secrets, or that it is otherwise violating their intellectual property rights, whether with respect to the manner in which it has conducted its research, use or manufacture of the compounds it has developed or is developing. Such third parties might resort to litigation against the Target Group or other parties it has agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

There is inevitable uncertainty in any litigation, including intellectual property litigation. There can be no assurance that the Target Group would prevail in any intellectual property litigation, even if the case against it is weak or flawed. If litigation leads to an outcome unfavorable to it, the Target Group may be required to obtain a license from the intellectual property owner in order to continue its research and development programs or to market any resulting product. It is possible that the necessary license will not be available to the Target Group on commercially acceptable terms, or at all. Alternatively, the Target Group may be required to modify or redesign its pipeline products in order to avoid infringing or otherwise violating third-party intellectual property rights. This may not be technically or commercially feasible, may render the Target Group's pipeline products less competitive, or may delay or prevent the entry of its future approved products to the market. Any of the foregoing could limit the Target Group's research and development activities, its ability to commercialise one or more pipeline products, or both.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Thus, even if the Target Group was to ultimately prevail, or to settle at an early stage, such litigation could burden it with substantial unanticipated.

Moreover, if the breadth or strength of protection provided by the Target Group's or its licensors' patents and patent applications is threatened, it could dissuade companies from collaborating with it to license, develop or commercialise its product candidates.

RISK FACTORS

The Target Group may be subject to claims asserting that its employees, consultants, independent contractors and advisers have wrongfully used or disclosed confidential information and/or alleged trade secrets of their current or former employers or claims asserting ownership of what it regards as its own intellectual property.

The Target Group cannot guarantee that its employees, consultants, independent contractors and advisers would always not use the proprietary information or know-how of others in their work for it. The Target Group may be subject to claims that these individuals or the Target Group has inadvertently or otherwise used or disclosed confidential information and/or intellectual property, including trade secrets or other proprietary information, of the companies that any such individual currently or formerly worked for or provided services to. Litigation may be necessary to defend against these claims.

If the Target Group fails in defending any such claims, in addition to paying monetary damages, it may lose valuable intellectual property rights or personnel. Even if the Target Group is successful in defending against such claims, litigation could result in substantial costs and be a distraction to its business.

In addition, while the Target Group requires its employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to the Target Group, it may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that it regards as its own. The assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, and the Target Group may be forced to bring claims against third parties, or defend claims that they may bring against it, to determine the ownership of what it regards as its intellectual property.

Changes in intellectual property laws could diminish the value of intellectual property rights in general, thereby impairing the Target Group's ability to protect its products and pipeline products.

Future changes in laws and regulations governing intellectual property rights and relevant procedures through which patents may be obtained and by which the validity of patents may be challenged could change in unpredictable ways that would weaken the Target Group's ability to obtain new patents or to enforce patents that it might obtain in the future. There could be similar changes in the laws of foreign jurisdictions that may impact the value of the Target Group's patent rights or its other intellectual property rights. Future changes in laws surrounding patent eligibility may narrow the scope of patent protection available in certain circumstances and weaken the Target Group's rights as a patent owner in certain situations.

RISK FACTORS

Obtaining and maintaining the Target Group's intellectual property depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental agencies, and its intellectual property protection could be reduced or eliminated for its or its licensors' non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annual fees and various other governmental fees on intellectual properties such as patents and patent applications are due to be paid to the relevant governmental agencies and other patent agencies in several stages over the lifetime of the intellectual property right. For example, the National Intellectual Property Administration of the PRC or World Intellectual Property Organisation and various patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. The Target Group is also dependent on its licensors and patent owners of its in-licensed patent rights to take the necessary action to comply with these requirements with respect to its in-licensed intellectual property. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, the Target Group's competitors might be able to enter the market, which would have a material adverse effect on its business.

Risks Relating to the Target Group's Financial Position and Business Operations

If the Target Group fails to effectively manage its anticipated growth or execute its growth strategies, its business, financial condition, results of operations and prospects could suffer.

Pursuing the Target Group's growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing the Target Group's growth and executing its growth strategies will require, among other things, the Target Group's ability to continue to innovate and develop advanced technology in the highly competitive pharmaceutical market, effective coordination and integration of its businesses and teams, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of its suppliers to leverage its purchasing power. Any failure to execute the Target Group's growth strategies or realise its anticipated growth could adversely affect its business, financial condition, results of operations and prospects.

RISK FACTORS

The Target Group's historical operating results may not be representative of future performance.

The Target Group's revenue was RMB2,073.8 million, RMB2,303.8 million, RMB2,546.0 million, RMB1,373.3 million and RMB1,135.5 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. It recorded net profit of RMB306.3 million, RMB308.0 million, RMB387.9 million, RMB272.0 million and RMB114.6 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. During the Track Record Period, the Target Group's revenue was mainly generated from sales of its key commercialized products, and to a lesser extent, other commercialized products in its portfolio, which may change from time to time. Any change in the Target Group's product portfolio, such as any acquisition or in-licensing of new products and any termination of existing product sales, may affect its operational results. For example, the Target Group ceased to sell certain products during the Track Record Period, including Fortum, Zinacef and Aminoplasmal Hepa.

In addition, the Target Group cannot assure you that its historical operating results, such as its revenue, gross profit, net profit, gross profit margin and net profit margin, will be indicative of future performance, for various reasons, including uncertainties of the success of its existing and new pipeline products, and the possible changes of the market and the regulatory environment, its ability to expand production capacity and improve manufacturing capabilities as planned, its ability to manage its distribution network, as well as the intensified competition in the pharmaceutical market in China. Investors should not rely on the Target Group's historical results as an indication of its future financial or operating performance.

One-off items may not provide an accurate indication of the Target Group's future financial performance.

During the Track Record Period, the Target Group recorded certain one-off items in its financial statements. For example, in 2024, the Target Group recognised a compensation gain of RMB84.7 million under other income and gains, which arose from amounts received by its collaboration partners in relation to discontinued products pursuant to the applicable agreement and mutual negotiation. This compensation gain is non-recurring in nature and does not reflect the Target Group's ordinary course of business.

Investors should not rely on such one-off compensation gain as an indicator of the Target Group's future results of operations. There can be no assurance that the Target Group will be entitled to or will receive comparable compensation gains in the future.

RISK FACTORS

The Target Group faces risks related to natural disasters, health epidemics and other outbreaks of contagious diseases, which could have a material adverse effect on its business, financial condition and results of operations.

The Target Group is vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may adversely affect the Target Group's product development progress and on-going clinical trials of its pipeline products, as well as manufacturing, marketing and selling of its products. The Target Group's business could also be adversely affected by natural disasters or outbreaks of epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or COVID-19. Any of these natural disasters, outbreaks of contagious diseases, or other adverse public health developments in the market in which the Target Group operates and conducts business could severely disrupt its business operations by damaging its network infrastructure or information technology system or impacting the productivity of its workforce. Any other outbreaks in countries and cities where the Target Group has operations, may result in material disruptions to the manufacture and delivery of its pharmaceutical products, which in turn may adversely affect its financial condition and results of operations. Any significant disruption to the Target Group's sales or other activities may negatively affect its liquidity and access to capital. In addition, the outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. Any material fluctuation in the financial markets, the global and domestic economy or regional economies as a result of these events or developments may also materially and adversely affect the Target Group's business, financial condition and results of operations.

The Target Group's future success depends on its ability to retain its senior management team and other key employees and to attract, train, retain and motivate qualified and highly skilled personnel, and if the Target Group loses and is unable to replace their service, its business may be adversely affected.

The Target Group is highly dependent on its senior management members to manage its business and operations, on its key research and development personnel to develop new products and technologies, to advance regulatory applications and to enhance its existing products, on its key sales and marketing personnel to conduct its sales, promotion and marketing activities. Their deep industry knowledge, broad expertise and strong execution capabilities have laid the foundation for the Target Group's continued success. The Target Group does not maintain key person insurance. If the Target Group loses the service of any member of management or key personnel, it may not be able to locate suitable or qualified replacements in a timely manner, or at all. In particular, Mr. Ni, the Target Group's founder, chairman and chief executive officer, has been crucial to its development and strategic direction. See "Proposed Directors and Senior Management of the Enlarged Group". The Target Group's senior management has entered into employment agreements and confidentiality and non-competition agreements with it. However, if any dispute arises between the Target Group's senior management and it, it may have to incur substantial costs and expenses in order to enforce such agreements in China or the Target Group may be unable to enforce them at all.

RISK FACTORS

The Target Group competes for qualified personnel with other pharmaceutical and biotechnology companies, universities and research institutions. The pool of suitable candidates is limited, and the Target Group may face challenges in attracting and retaining skilled scientists and other technical personnel. The Target Group may not be able to hire and retain sufficient skilled and experienced scientists or other technical personnel at the current level of wages. To compete effectively, the Target Group may need to offer higher compensation and other benefits, which could materially and adversely affect its financial condition and results of operations. In addition, the Target Group may not be successful in training its professionals to keep pace with changes in customer needs and technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on the Target Group's business, financial condition, results of operations, cash flows and prospects.

The Target Group may pursue collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships, or other strategic initiatives or arrangements, which may fail to produce anticipated benefits and adversely affect its business.

As part of the Target Group's business strategy, it continually pursues opportunities of collaboration, in-licensing, joint ventures, strategic alliances, or partnerships that it believes would be complementary to or promote its existing business. Proposing, negotiating and implementing collaborations, in-licensing arrangements, joint ventures, or other strategic arrangements may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with the Target Group for these opportunities or arrangements. The Target Group may not identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

Furthermore, partners, collaborators or other parties to such transactions or arrangements may fail to fully perform their obligations or meet the Target Group's expectations or cooperate with it satisfactorily for various reasons, including risks or uncertainties related to their business and operations. There may be conflicts or other collaboration failures and inefficiencies between the Target Group and the other parties.

Such transactions or arrangements may also require or stand in need of actions, consents, approvals, waivers, 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. The Target Group may not obtain such required or desired actions, consent, approval, waiver, participation or involvement on a timely basis, on acceptable terms, or at all.

These collaboration, investments and transactions may also present financial, managerial and operational challenges, including:

- diversion of management attention from managing the Target Group's existing business;

RISK FACTORS

- difficulty with integrating businesses, operations, personnel, financial and other systems;
- lack of experience in operating in the geographical or product markets of the acquired business; and
- the requirement that the Target Group periodically reviews the value at which it carries its investments and, in the event it determines that the value at which it carries an investment has been impaired, the requirement to record a non-cash impairment charge, which charge could substantially affect its reported earnings in the period of such charge, would negatively impact its financial ratios and could limit its ability to obtain financing in the future.

The Target Group faces potential liabilities, in particular product liability claims or lawsuits, which could cause it to incur substantial liabilities.

The development and commercialisation of pharmaceutical products entail inherent risks of harm to patients and the Target Group is therefore exposed to risks associated with product liability claims as a result of developing, manufacturing, marketing and selling pharmaceutical products in the jurisdictions in which its products are marketed and sold. In particular, for all of its key products, including three originator-branded products and two innovative products, the Target Group is the MAH in China, assuming the responsibility for the product quality in the full life cycle of the products. Accordingly, the Target Group face more risks in its operations. See “Industry Overview – The Pharmaceutical Market in China – Features of the Pharmaceutical Market in China – Implementation of the MAH System”. Such claims may arise if any of the Target Group’s products are deemed or proven to be unsafe, ineffective, defective or contaminated or if it is alleged to have engaged in practices such as inappropriate, insufficient or improper labelling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurances that the Target Group will not become subject to product liabilities claims or that it will be able to successfully defend itself against any such claims.

If a product liability claim is brought against the Target Group, it may, regardless of merit or outcome, result in damage to its reputation, breach of contract with its customers, decreased demand for its products, costly litigation, product recalls, loss of revenue and the inability to commercialise its products. If the Target Group is unable to defend itself against such claims, among other things, it may be subject to civil liability for physical injury, death or other losses caused by its products and to criminal liability and the revocation of its business licenses if its products are found to be defective. In addition, the Target Group may be required to recall the relevant products, suspend sales or cease sales. Even if the Target Group is able to successfully defend itself against any such product liability claims, doing so may require significant financial resources and the time and attention of its management. Moreover, even the allegation that the Target Group’s products are harmful, whether or not ultimately proven, may adversely affect its reputation and sales volumes.

RISK FACTORS

The Target Group does not carry any product liability insurance which are not mandatory under PRC laws and regulations. Any product liability insurance may be prohibitively expensive, or may not fully cover the Target Group's potential liabilities. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources. Any product liability insurance for clinical trials, when obtained, may be prohibitively expensive, or may not fully cover the Target Group's potential liabilities. The inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could have a material and adverse effect on the Target Group's business and results of operations.

Real or perceived incidents of product contamination, or severe side effects caused by the Target Group's products could materially and adversely affect its reputation, results of operations and financial conditions, and subject it to regulatory actions and contractual liabilities.

Product safety and quality is critical to the Target Group's business. The Target Group's reputation, results of operations and financial condition could be materially and adversely affected by product contamination and its association with any contamination incidents. In addition, the mere publication of information or speculation asserting that any of the Target Group's products contains or has contained any contaminants, over which the Target Group has no control, could damage its reputation and have a material adverse effect on it, regardless of whether such information or speculation have any factual basis. The Target Group's products may also cause undesirable or unintended side effects as a result of a number of factors, many of which are outside its control. These factors include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by the Target Group's quality management system or misuse of its products by end-users. The Target Group's 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. Further, its 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 its products cause or are perceived to have caused severe side effects, or if one or more regulators, such as the NMPA or the FDA, or an international institution, such as the WHO, determine that products containing the same or similar pharmaceutical ingredients as the Target Group's products could cause or lead to severe side effects. Such incidences may cause negative publicity and have material adverse impact on the industry and therefore affect its business and results of operations. If the Target Group's products cause, or are perceived to cause, severe side effects, it may face a number of consequences, including, but not limited to:

- 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;
- revocation of regulatory approvals for the relevant products or the relevant manufacturing facilities;

RISK FACTORS

- damage to the brand name of its products and its reputation;
- stricter and more frequent regulatory inspections on it;
- removal of relevant products from any medical insurance catalogs or lists of special medications related to the severe diseases insurance;
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties; and
- breach of contract with its major customers.

Certain restrictive covenants of the Target Group's loans may restrict its ability to obtain further funding, if it does not have access to sufficient funding, its growth and business prospects may be adversely affected.

The Target Group's business operations and its implementation of many aspects of its strategies will require significant funding, including:

- the costs of development and commercialisation of its pipeline products;
- the costs to in-license new products to expand and diversify its product portfolio;
- the expenses for expanding its sales and distribution network;
- the funding required for potential future acquisitions and integration of acquired businesses;
- the funding required for potential acquisition or in-licensing for drug assets;
- the funding required for its manufacturing and supply chain management activities, including the implementation of its manufacturing expansion and upgrade plans and manufacturing technology transfer plans;
- the funding required for repaying its existing loans; and
- costs associated its headcount growth.

The Target Group expects that the implementation of its strategies and business plans will require it to rely in part on external financing sources. However, its ability to obtain external financing on commercially reasonable terms will depend on a number of factors, many of which are outside of its control, including the global economic conditions, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. In addition, any material adverse change in the Target Group's results of operations or financial conditions may lead to increased costs for its future funding

RISK FACTORS

activities. If the Target Group cannot obtain sufficient external financing on commercially acceptable terms to implement its strategies and business plans as currently contemplated, it could be required to revise its strategies and business plans, which could adversely affect its business prospects.

The Target Group is subject to credit risk of its customers. Any delays in collecting or failure to collect payments from the Target Group's customers could adversely affect its financial condition or results of operations.

During the Track Record Period, the Target Group's customers mainly comprise distributors. For regional distributors with good credit standing, the Target Group generally grants them a short credit term of 30 to 60 days on a case-by-case basis based on its assessment. The Target Group requires its importers to deliver irrevocable letters of credit. The Target Group may be exposed to credit risks. If the Target Group's customers' cash flows, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to it promptly or at all. If the Target Group experience delays in collecting or if it is unable to collect payments from customers, its cash flows and operations could be adversely affected.

The Target Group incurred net current liabilities during the Track Record Period, and may continue to do so in the future, which can expose it to liquidity risk.

The Target Group recorded net current liabilities of RMB930.4 million, RMB1,702.7 million, RMB1,251.8 million and RMB489.9 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively. Having significant net current liabilities could constrain its operational flexibility and adversely affect the Target Group's ability to expand its business. If the Target Group is unable to generate sufficient cash flow from its operations to meet its present and future financial needs, it may need to resort to external funding. If adequate external funds are not available on commercially reasonable terms, or at all, the Target Group may face liquidity difficulties. As a result, the Target Group's business, financial condition and results of operations may be materially and adversely affected.

The Target Group's indebtedness and the conditions and restrictive covenants imposed on it by its financing agreements could materially and adversely affect its business, financial conditions and results of operations.

The Target Group's total bank and other borrowings amounted to RMB2,419.2 million as at 30 June 2025. The Target Group repaid certain of its bank and other borrowings with cash flows from operations during the Track Record Period. Through the repayment of bank and other borrowings, the Target Group continues to control its financial position and finance costs.

RISK FACTORS

The Target Group's bank loan agreements include various conditions and covenants that require it to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, liquidation or winding-up, or providing guarantee, mortgage or other forms of security to other borrowings. See "Financial Information of the Target Group – Indebtedness". Failure to comply with the covenants of the Target Group's financing agreements could have a material and adverse effect on its business, financial condition, results of operations and prospects.

Should market conditions deteriorate, or if the Target Group's operating results declined, the Target Group may need to request amendments or waivers to the covenants and restrictions under its debt agreements. There can be no assurance that the Target Group will be able to obtain such relief should it be needed. If the Target Group was unable to repay its indebtedness to its lenders in such an event, the lenders could, among other things, proceed against collateral.

In addition, the Target Group may continue to incur debt to fund its daily operations and to pursue its expansion plans. If the Target Group is unable to raise capital when needed or on acceptable terms, it could be forced to delay, limit, reduce or terminate its research and development programs or any future commercialisation efforts.

If the Target Group determines its goodwill and other intangible assets to be impaired, its results of operations and financial condition may be adversely affected.

The Target Group recorded goodwill of RMB112.1 million, RMB112.1 million, RMB112.1 million and RMB112.1 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, primarily in connection with its acquisition of Ceclor. The Target Group undertakes goodwill impairment reviews annually or more frequently if events or changes in circumstances indicate a potential impairment. The Target Group compares the carrying value of goodwill to the recoverable amount. It recognises any impairment immediately and it is not subsequently reversed. If the carrying value of the Target Group's goodwill is considered to exceed its recoverable amount and the Target Group's goodwill is therefore determined to be impaired in the future, the Target Group would be required to write down the carrying value or record a provision of impairment loss for goodwill in its financial statements during the period in which the Target Group's goodwill is determined to be impaired, and this impairment would adversely affect its results of operations and its financial condition.

The Target Group records other intangible assets, primarily including know-how licenses and medical rights as well as exclusive rights of new drugs in relation to its drug products, software and trademarks. As at 30 June 2025, the aggregate carrying value of these intangible assets amounted to RMB2,951.2 million. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible assets that are not available for use are tested for impairment annually. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount. If any of these intangible assets is determined to be impaired in the future, the Target Group would

RISK FACTORS

be required to write down the carrying value or record a provision of impairment loss for these intangible assets in its financial statements during the period in which the relevant intangible assets were determined to be impaired, and this would negatively affect the Target Group's results of operations and its financial condition.

If the Target Group fails to comply with environmental, health and safety laws and regulations, it could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of its business.

The Target Group is subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. The Target Group's manufacturing facility may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may produce hazardous materials and wastes. The Target Group contracts with third parties for the disposal of these materials and wastes, but it cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from the Target Group's use of hazardous materials or production of hazardous wastes, it could be held liable for any resulting damages, and any liability could exceed its resources. The Target Group also could incur significant costs associated with civil or criminal fines and penalties. For details, see "Regulations – Overview of PRC Regulations – Regulations in Relation to Environmental Protection and Safety – Environmental Protection". In addition, any negative publicity concerning environmental matters in relation to the Target Group, even if untrue, could adversely affect its reputation and business prospects.

Although the Target Group maintains workers' compensation insurance to cover it for costs and expenses it may incur due to injuries to its employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. In addition, the Target Group does not maintain insurance for environmental liability or toxic tort claims that may be asserted against it in connection with its use or disposal of biological or hazardous materials.

In addition, the Target Group may be required to incur substantial costs to comply with environmental, health and safety laws and regulations when it operates its manufacturing facilities. As the requirements imposed by environmental, health and safety laws and regulations may change and more stringent laws or regulations may be adopted and enforcement practices may vary, the Target Group may have difficulties complying with, or accurately predicting the potentially substantial cost of complying with, these laws and regulations, which may subject it to rectification orders, substantial fines, monetary damages and suspension or cessation of research activities and other business operations. These laws and regulations may impair the Target Group's research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

RISK FACTORS

The Target Group's internal computer systems, or those used by its CROs or partners or other contractors or consultants, may fail or suffer security breaches or other disruptions.

The Target Group's internal computer systems and those of its CROs, partners and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. The Target Group, its CROs, partners and other contractors and consultants rely on various information technology systems and software applications to manage many aspects of business, including product manufacturing and development, management of its supply chain, sale and delivery of its products, financial reporting and various other processes and transactions. The Target Group, its CROs, partners and other contractors and consultants are critically dependent on the integrity, security and consistent operations of these systems and related back-up systems. If any material system failure or security breach were to occur and cause interruptions in its operations, it could result in a material disruption of its development programs and its business operations. In the ordinary course of the Target Group's business, it collects and stores sensitive data, including, among other things, legally protected patient health information, personally identifiable information about its employees, intellectual property, and proprietary business information. Information systems, networks and other technologies are critical to the Target Group's operating activities, shutdowns or service disruptions at its offices or vendors that provide information systems, networks, or other services to it pose increasing risks. Such disruptions may be caused by events, such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on the Target Group and its business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and the Target Group's disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of the Target Group's operations, damage to its reputation or a loss of revenues. The Target Group could be subject to regulatory actions and/or claims involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. In addition, as the Target Group outsources more of its information systems to vendors and rely more on cloud-based information systems, the related security risks will increase and it will need to expend additional resources to protect its technology and information systems.

Increased labour costs could slow the Target Group's growth and affect its financial condition.

The cost of labour has been steadily increasing over the past years as a result of inflation, government-mandated wage increases and other changes in PRC labour laws, as well as competition for talents and qualified employees among pharmaceutical companies. Unless the Target Group is able to pass on these increased labour costs to its customers by increasing the prices of its products, its financial condition and results of operations may be adversely affected. Many aspects of the Target Group's strategies and business growth may require it to

RISK FACTORS

have additional employees. The Target Group may also have additional employees as a result of acquisitions or organic growth of its business. If the Target Group implements such strategies but fails to realise the benefits and efficiencies it anticipates, it may be unable to offset the corresponding increases in its staff costs, which adversely affect its financial condition.

Failure to pay the social insurance and housing provident funds for and on behalf of the Target Group's employees in accordance with the Labour Contract Law or comply with other PRC regulations may have an adverse impact on its financial conditions and results of operation.

PRC companies are required to pay for their employees' social insurance (including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident funds in amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

According the applicable PRC laws and regulations, an employer shall open social insurance registration account and housing provident funds account and pay social insurance and housing provident funds for its employees. During the Track Record Period, some of the Target Group's subsidiaries engaged a third-party human resources agency to pay social insurance and housing provident funds for certain of their employees. As at the Latest Practicable Date, the human resources agency paid insurance premium, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, and maternity insurance, and housing provident funds, and none of these subsidiaries had received any administrative penalty or labour arbitration application from employees for its agency arrangement with the third-party human resources agency. The Target Group cannot assure that it may not be subject to penalties imposed by the local social insurance authorities and the local housing provident fund management centres for failing to make payment of social insurance and housing provident funds for the employees in the employer's own name.

The Target Group may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

From time to time, the Target Group may be involved in claims, disputes and legal proceedings in its ordinary course of business. Any claims, disputes and legal proceedings may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labour disputes and infringement of intellectual property rights. As at the Latest Practicable Date, the Target Group was not aware of any pending or threatened litigation, arbitration or administrative proceedings against it or the Target Directors which may have a material adverse impact on its business, financial condition or results of operations. Any claims, disputes or legal proceedings initiated by it or brought against it, with or without merit, may result in substantial costs and diversion of resources, and if the Target Group is unsuccessful, could materially harm its reputation. See "Business of The Target Group – Legal

RISK FACTORS

Proceedings and Regulatory Compliance”. Furthermore, claims, disputes or legal proceedings against the Target Group may be due to defective supplies sold to the Target Group by its suppliers, who may not be able to indemnify the Target Group in a timely manner, or at all, for any costs that it incurs as a result of such claims, disputes and legal proceedings.

The Target Group has limited insurance coverage, and any claims beyond its insurance coverage may result in its incurring substantial costs and a diversion of resources.

The Target Group maintains insurance policies that are required under PRC laws and regulations as well as based on its assessment of its operational needs and industry practice. In line with industry practice in the PRC, the Target Group has elected not to maintain certain types of insurances, such as business interruption insurance or product liability insurance. The Target Group’s insurance coverage may be insufficient to cover any claim for product liability, damage to its fixed assets or employee injuries. Any liability or damage to, or caused by, the Target Group’s facilities or its personnel beyond its insurance coverage may result in its incurring substantial costs and a diversion of resources.

Negative publicity may adversely affect the Target Group’s reputation, business and growth prospect.

Any negative publicity concerning the Target Group, its affiliates, any entity that shares its brands or MNCs it cooperates with, and the pharmaceutical industry in general, even if untrue, could adversely affect its reputation and business prospects. The Target Group cannot assure you that negative publicity about it, any of its affiliates, any entity that shares its brands or MNCs it cooperates with would not damage its brand image or have a material adverse effect on its business, results of operations and financial condition. In addition, referrals have significantly contributed to its ability to establishing new partnerships. As a result, any negative publicity about the Target Group, any of its affiliates, any entity that shares its brand name or MNCs it cooperates with could adversely affect its ability to maintain its existing collaboration arrangements or attract new partners.

The Target Group is subject to risks associated with leasing property.

The Target Group leases some of its properties in China. The lessors of the leased properties may not have complied with all the necessary property leasing procedures. In addition, as the Target Group’s leases expire, it may fail to obtain renewals, either on commercially acceptable terms or at all, which could compel it to cease to use such properties. The Target Group’s inability to enter into new leases or renew existing leases on terms acceptable to it could adversely affect its business, results of operations or financial condition.

Pursuant to PRC laws, both lessors and lessees are required to file the lease agreements with relevant authorities for record and obtain property leasing filing certificates for their leases. In practice, as the filing of the lease agreements requires the coordination of both lessors and lessees, the Target Group cannot assure you that the lessor will cooperate and complete the registration in a timely manner. Although the Target Group has reached out to its

RISK FACTORS

lessors for their necessary support with regard to the filing of the lease agreements, as at the Latest Practicable Date, the Target Group and its lessors had not filed 14 of its leases with the governmental authorities due to various reasons, including, without limitation, the failure or unwillingness of the lessors to provide relevant documents. Although non-registration of lease agreements does not in itself invalidate the leases, the failure to file and obtain property leasing filing certificates for such leases, as required under PRC laws, may subject the Target Group to a fine ranging from RMB1,000 to RMB10,000 for each agreement not filed.

If the Target Group fails to comply with applicable anti-bribery and anti-corruption laws and regulations, its reputation may be harmed and it could be subject to penalties and significant expenses that have a material adverse effect on its business, financial condition and results of operations.

The Target Group is subject to the anti-bribery laws in China that 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. Although the Target Group has policies and procedures designed to ensure that it, its employees, its agents or any persons working on its behalf comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent them from engaging in bribery activities and the Target Group's procedures and controls to monitor compliance with anti-bribery law may fail to protect it from reckless or criminal acts committed by its employees or agents. If the Target Group fails to comply with the applicable anti-bribery laws due to either its own deliberate or inadvertent acts or those of others, its reputation could be harmed and it could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on the Target Group's business, including its financial condition, results of operations, cash flows and prospects.

The Target Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by its employees, suppliers or other third parties, including corrupt practices, inappropriate promotion of its products or the third-party products that it sells and/or promotes, or leakage of confidential information.

The Target Group may be exposed to fraud, bribery or other misconduct committed by its employees, distributors, sub-distributors, customers, suppliers or other parties it cooperates with in China or other jurisdictions. Any actual or alleged wrongdoing or misconduct, over which the Target Group may not have full control, could subject it to regulatory investigation, liabilities, financial losses, sanctions imposed by governmental authorities and negative publicity, which may adversely affect its reputation and prospects. During the Track Record Period and up to the Latest Practicable Date, the Target Group was not aware of any instances of fraud, bribery, or other misconduct involving employees or other third parties that had any material and adverse impact on its business and results of operations. However, the Target Group does not and cannot fully control the conduct of its employees, distributors, sub-distributors, suppliers or affiliates, and it cannot assure you that there will not be any such instances in the future. Although the Target Group considers its internal control policies and procedures to be adequate, it may be unable to prevent, detect or deter all such instances of

RISK FACTORS

misconduct. Any such misconduct committed against the Target Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on its business and results of operations.

The Target Group benefits from government grants, the expiration of or changes to which could adversely affect its results of operations and financial condition.

The Target Group recognised RMB1.5 million, RMB1.9 million, RMB6.9 million, RMB4.8 million and RMB3.2 million of government grant income for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. The timing, amount and criteria of government financial incentives are determined within the discretion of the local government authorities and cannot be predicted with certainty before the Target Group actually receives any financial incentive. The Target Group cannot assure you of the continued availability of the government grants currently enjoyed by it. Any reduction or elimination of government grants would have an adverse effect on the Target Group's results of operations and financial condition.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on the Target Group's results of operations and financial condition.

The Target Group is exposed to exchange rate risks related to other currency that can affect its revenue, costs, and margins. The Target Group recorded net foreign exchange losses of RMB3.1 million, RMB3.1 million, RMB19.9 million, RMB11.4 million and RMB20.9 million in 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. The Target Group also recorded exchange differences on translation of foreign operations of RMB95.9 million, RMB17.2 million, RMB6.4 million, RMB0.9 million and RMB0.7 million in 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, which represented the exchange differences of translating foreign functional currencies of foreign subsidiaries into Renminbi for the purposes of preparing its audited financial statements. The fluctuation in the value of the US dollar or EUR or other foreign currencies against the Renminbi may have a material effect on the Target Group's financial condition. When managing the Target Group's exposure to currency risk, it may use foreign currency hedging contracts and other strategies to mitigate currency risk and there can be no assurances that these strategies will be successful.

Share-based payment may cause shareholding dilution to the Target Group's existing Shareholders and have a material and adverse effect on its financial performance.

The Target Group Company granted certain options under the Target Share Option Scheme, details of which are set forth in note 33 to the Accountants' Report of the Target Group in Appendix I to this circular. In 2022, the Target Group reversed equity-settled share-based payment expenses of RMB39.6 million. In 2023 and 2024, and the six months ended 30 June 2025, the Target Group incurred equity-settled share-based payment expenses of RMB33.6 million, RMB33.3 million, RMB32.8 million, respectively. To further incentivize its employees, the Target Group may grant additional share-based incentives in the future.

RISK FACTORS

Issuance of additional Shares with respect to such share-based incentives may dilute the shareholding percentage of its existing Shareholders. Expenses incurred with respect to such share-based incentives may also increase the Target Group's operating expenses and therefore have a material and adverse effect on its financial performance.

The Target Group may rely on dividends and other distributions on equity paid by its PRC subsidiaries to fund any cash and financing requirements it may have, and any limitation on the ability of its PRC subsidiaries to make payments to it could have a material and adverse effect on its ability to conduct its business.

The Company is a holding company incorporated in the Cayman Islands, and it may rely on dividends and other distributions on equity paid by its PRC subsidiaries for its cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to its Shareholders or to service any debt it may incur. If any of the Target Group's PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to it. Under PRC laws and regulations, the Target Group's PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, the Target Group's PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, unless the aggregate amount of such fund has reached 50% of its registered capital. Such reserve funds cannot be distributed to the Target Group as dividends. In addition, registered share capital and capital reserve accounts should comply with relevant laws and regulations from withdrawal in China. When the statutory reserve fund is converted into capital, the remaining reserve fund shall not be less than 25% of the registered capital of the company before the conversion.

Any limitation on the ability of the Target Company's PRC subsidiaries to pay dividends or make other kinds of payments to it could materially and adversely limit its ability to grow, make investments or acquisitions that could be beneficial to its business, pay dividends to its investors or other obligations to its suppliers, or otherwise fund and conduct its business.

Regulations on currency exchange may limit the Target Group ability to utilise its revenue effectively.

Substantially all of the Target Group's revenue is denominated in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to the Shareholders (if the Proposed Merger takes place), or repay debts to overseas creditors, if any. Shortages in the availability of foreign currency may restrict the Target Group's ability to remit sufficient foreign currency to pay dividends or other payments to holders of its Shares, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) ("SAFE") for current account transactions so long as certain procedures and requirements are complied with. Examples of such current account transactions include payment of dividends and trade

RISK FACTORS

and service related foreign exchange transactions. However, for transactions under the capital account, such as foreign direct investment and acquisition and foreign currency debt, including loans the Target Group may secure for its PRC subsidiaries, approvals from, or registration with, SAFE and other relevant PRC governmental authorities are required. Any existing and future regulation on currency exchange may affect the Target Group's ability to utilise revenue generated in Renminbi to fund its business activities outside of the PRC or pay dividends in foreign currencies to holders of its Shares.

It may be difficult to effect service of process upon the Target Group or its management or to enforce any judgements obtained from foreign courts.

Substantially all of the Target management personnel reside in China and substantially all of assets of the Target management personnel are located within China. Due to the complexity and time-consuming nature of cross-border legal process document delivery, it may be difficult for investors to effect service of process upon the Target Group or its management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of some jurisdictions.

On 14 July 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《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》), or the Arrangement, pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. On 18 January 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《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》), which came into effect on 29 January 2024 and superseded the Arrangement, or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the mainland. Pursuant to the New Arrangement, a party with an enforceable final court judgement 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 judgement in the relevant people's court of China or Hong Kong court.

RISK FACTORS

According to Civil Procedure Law of the People's Republic of China (“**Civil Procedure Law**”) (《中華人民共和國民事訴訟法》), the PRC courts may recognise and enforce foreign judgements on the basis of an agreement between China and the country where the judgement was made or based on the principle of reciprocity between jurisdictions. China and the United States do not have any agreement or other written arrangement providing for the mutual recognition and enforcement of foreign judgements. In addition, under the Civil Procedure Law, a PRC court will not enforce a foreign judgement against the Target Group or its officers if the judgement is deemed to violate the basic principles of PRC law or national sovereignty, security, or public interests. Therefore, the recognition and enforcement of judgements issued by foreign courts will depend on the rulings made by Chinese courts in accordance with the relevant provisions of the Civil Procedure Law.

Any failure by the Shareholders or beneficial owners of the Target Group's Shares to comply with certain PRC foreign exchange regulations relating to offshore investment activities could restrict its ability to distribute profits, restrict its overseas and cross-border investment activities and subject it to liability under PRC laws.

The SAFE has promulgated several regulations requiring PRC residents to register with local branches of the SAFE before engaging in direct or indirect offshore investment activities, including SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

Pursuant to the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect 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》), or SAFE Circular 13, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

RISK FACTORS

The Target Group is committed to complying with and procuring that its Shareholders who are subject to the regulations comply with the relevant SAFE rules and regulations. However, the Target Group may not always be fully aware or informed of the identities of its beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with SAFE Circular 37 or other related regulations. Failure by any such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of the Target Group's PRC subsidiaries and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.

The Target Group may be classified as a “resident enterprise” under EIT Law, which may subject it and its non-PRC shareholders to unfavorable tax consequences.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (“**EIT Law**”), an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise”, meaning that it will be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. Under the Circular of the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) (“**STA**”) on Issues Concerning the Identification of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) issued by the STA on 22 April 2009, or Circular 82, dividends and other distributions paid by resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognised by Non-PRC Resident Enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. The implementing rules of the EIT Law define “de facto management bodies” as “management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises will be classified as resident enterprises. On 27 July 2011, the STA issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or Bulletin 45, which became effective on 1 September 2011 and as amended in 2015, 2016 and 2018, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

Despite the foregoing, the STA may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. However, as China's laws and regulations develop, the Target Group cannot rule out the possibility that its Cayman Islands holding company will be recognised as a “resident enterprise” for PRC enterprise income tax purposes in the future. If the PRC tax authorities determine that the Target Group's Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could

RISK FACTORS

follow. First, the Target Group and its non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on its worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by PRC enterprise would qualify as tax-exempted income, the Target Group cannot assure that dividends paid by its PRC subsidiaries to it will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by PRC enterprise like it. Finally, the EIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by the Target Group to its non-PRC shareholders and, while less clear, capital gains recognised by them with respect to the sale of the Target Group's Shares may be subject to tax of 10% for Non-PRC Resident Enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at source.

Anti-monopoly and unfair competition claims or regulatory actions against the Target Group may result in its being subject to fines, constraints on its business and damage to its reputation.

In March 2018, the State Administration for Market Regulation (國家市場監督管理總局) (“SAMR”) was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce of the PRC (中華人民共和國商務部) (“MOFCOM”), 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) (“NDRC”) and the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (“SAIC”), respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement, including the issuance of the “Notice of State Administration for Market Regulation on Anti-monopoly Enforcement Authorisation” (《市場監管總局關於反壟斷執法授權的通知》) on 28 December 2018, which grants authorizations to the branches of SAMR at the provincial level for anti-monopoly enforcement within their respective jurisdictions. Pursuant to the Provisions on Prohibition of the Abuse of Market Dominance (《禁止濫用市場支配地位行為規定》), which were issued by SAMR on 10 March 2023 and came into effect on 15 April 2023, an abuse of market dominance determined by the SAMR shall simultaneously satisfy all the following criteria: (i) the business operator is dominating the market; (ii) the business operator has eliminated or restricted competition; (iii) the business operator has no legitimate reason to implement such acts; and (iv) such acts by the business operator have an impact on elimination or restriction of market competition.

Although the Target Group believes that its business practices are conducted based on commercially reasonable considerations and justifications and do not violate the PRC Anti-monopoly Law or the Interim Provisions, there can be no assurance that other companies, including its competitors, business partners and customers, will submit complaints to regulators or initiate private litigation that targets its prior and current business practices, nor can the Target Group assure you that regulators will not initiate anti-monopoly investigations

RISK FACTORS

into specific business practices it have adopted. Any anti-monopoly lawsuit, regulatory investigations or administrative proceedings initiated against the Target Group, regardless of their merits, could materially and adversely harm its business and reputation. If the Target Group is perceived to violate anti-monopoly laws, regulations or policies in the PRC, it will be exposed to penalties, confiscation of illegal gains and cease of illegal business practices, which could materially and adversely affect its business, results of operations and financial condition.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent the Target Group from making loans or additional capital contributions to its PRC subsidiaries.

Any loans provided by the Target Group's offshore holding companies to its PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, if the Target Group finances such subsidiary by means of additional capital contributions, these capital contributions must be registered, reported or filed with certain government authorities, including the MOFCOM or its local counterparts and SAMR and SAFE. The Target Group cannot assure you that it will be able to obtain these government registrations or approvals or to complete registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by it to its subsidiaries or any of their respective subsidiaries. If the Target Group fail to obtain such approvals or registrations, its ability to make equity contributions or provide loans to its PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect the Target Group's PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on the Target Group's business, financial condition and results of operations.

Any failure to comply with the PRC regulations regarding the Target Group's employee equity incentive plans may subject PRC plan participants or it to fines and other legal or administrative sanctions.

On 15 February 2012, SAFE issued the Circular on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Option Rules. Under the Share Option Rules, PRC citizens or residents habitually residing in the PRC continuously for over one year, with a few exceptions, and who have been granted, restricted shares or share options by an overseas listed company according to its employee share option or share incentive plan, are required to appoint a qualified PRC agent, register with SAFE or its local counterparts, and complete certain other procedures related to the shareholding plan, share option plan or other similar share incentive plans. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agents are required to amend or deregister the registrations with SAFE or its local counterparts in case of any material change in, or termination of, the share incentive plans within the time periods provided by the Share Option Rules.

RISK FACTORS

The Target Group and its PRC resident employees who have been granted share options will be subject to the Stock Option Rules upon completion of the Proposed Merger. Failure of the PRC resident holders of the Target Group's share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit its ability to contribute additional capital into its PRC subsidiaries, limited its PRC subsidiaries' ability to distribute dividends to it, or otherwise materially adversely affect its business.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, the Target Group's employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. The Target Group's PRC subsidiary has obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If the Target Group's employees fail to pay or if it fails to withhold their individual income taxes according to relevant rules and regulations, it may face sanctions imposed by the competent governmental authorities.

RISKS RELATING TO THE PROPOSED MERGER

The Proposed Merger is subject to the fulfilment or waiver (as applicable) of the Merger Conditions Precedent, and the Proposed Merger may or may not proceed.

The Proposed Merger is subject to the fulfilment or waiver (as applicable) of the Merger Conditions Precedent. For further details, please refer to section headed "Letter from the Board – Merger Conditions Precedent" in this circular. Certain Merger Conditions Precedent involve the actions and decisions of third parties, including but not limited to approvals of the Proposed Merger, and the fulfilment of these Merger Conditions Precedent which are beyond the control of the Company. Whether and when the approvals can be obtained for the Proposed Merger is uncertain. Hence, the Proposed Merger is exposed to the risk of approvals not being obtained. There is no guarantee that all or part of the Merger Conditions Precedent can be fulfilled or the Proposed Merger will proceed. If any of the Merger Conditions Precedent is not fulfilled or waived (as applicable) on or before the Long Stop Date, the Proposed Merger will not proceed.

Control or significant influence by the new incoming controlling Shareholders upon the Merger Closing may limit the existing Shareholders' ability to affect the outcome of decisions requiring the approval of the Shareholders.

Immediately after the Proposed Merger, based on the Presumed Maximum Share Exchange Ratio, assuming that there is no Taxable Target Shareholder, the Target Controlling Shareholders will own approximately 37.24% of the total issued share capital of the Company and therefore become the Controlling Shareholders of the Company. Mr. Ni, who is the beneficial owner of approximately 45.19% of the issued share capital of the Target as of the Latest Practicable Date and is proposed to be Chairman, executive Director, president and the Controlling Shareholder of the Enlarged Group immediately following the Merger Closing,

RISK FACTORS

will have significant control over the Enlarged Group's business, including matters relating to its management and policies and certain matters requiring the approval of the Shareholders, such as election of directors, approval of significant corporate transactions including mergers, consolidations and the sale of all or substantially all of the Enlarged Group's assets, and the timing on distribution of dividends. The Target Controlling Shareholders could potentially approve actions that may not be in the best interests of other Shareholders.

The shareholdings of the existing Shareholders will be diluted following the issue of the Consideration Shares and upon exercise of the Converted Options under the One-off Share Option Plan.

Based on the Presumed Maximum Share Exchange Ratio and assuming that (i) there is no Taxable Target Shareholder, and (ii) none of the Converted Options under the One-off Share Option Plan has been exercised, the Company will, for the purposes of the Proposed Merger, allot and issue an aggregate of 1,773,136,744 Consideration Shares at the Merger Effective Time.

As a result, the shareholding percentages of the existing Shareholders in the Company will be diluted when the Company issues the Consideration Shares and will be subject to dilution exercise of the Converted Options under the One-off Share Option Plan. Any value enhancement of the Shares as a result of the Proposed Merger may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

Existing Shareholders will experience further dilution if the Company issues additional new Shares in the future.

In order to expand the business of the Company, the Company may consider offering and issuing additional new Shares in the future. Shareholders may experience further dilution in the net tangible asset value per new Share if the Company issues additional new Shares in the future at a price which is lower than the net tangible asset value per new Share.

RISKS RELATING TO THIS CIRCULAR

Certain statistics, industry data and other information relating to general economy and industry environment contained in this circular are derived from official government sources, and the Company and/or its Directors, and the Target Company, and/or its directors and their respective agents and advisers cannot assure the accuracy and completeness of such statistics, data and information.

Certain statistics, industry data and other information relating to the general economy and industry environment contained in this circular were derived from official government sources. The Target Group believes that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Target Group has 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. The

RISK FACTORS

information from official government sources has not been independently verified by the Company nor the Target Group, the Joint Sponsors, the Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties involved in the Proposed Merger and no representation is given as to its accuracy. Shareholders should give careful consideration as to how much weight or importance to attach or place on such statistics, industry data and other information relating to the general economy and the industries.

This circular contains forward-looking statements by the Company relating to the Target Group's and the Company's plans, objectives, expectations and intentions, which may not represent its actual performance for the periods of time to which such statements relate.

This circular contains certain forward-looking statements by the Company relating to the Target Group's and the Company's plans, objectives, expectations and intentions. Such forward-looking statements involve known and possibly known risks, uncertainties and other factors which may cause actual performance or achievements of the Target Group and the Enlarged Group to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this circular. Such forward-looking statements are based on numerous assumptions as to the Target Group's and the Company's present and future business strategies and the environment in which the Target Group and the Company will operate in the future and the reasonableness and appropriateness of certain assumptions are subject to the risk that the information used by the Company to derive such assumptions may be inaccurate or inadequate. The actual performance or achievements of the Target Group and the Enlarged Group may differ materially from those disclosed in this circular.

Shareholders should read this entire circular carefully and should not place any reliance on any information (if any) contained in press articles or other media regarding the Target Group and the Proposed Merger including, in particular, any financial projections, valuations or other forward-looking statement.

Prior to the publication of this circular, there may be press or other media, which contains certain information referring to the Target Group and the Proposed Merger that is not set out in this circular. Neither the Company nor the Target Group, the Joint Sponsors, the Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Proposed Merger has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by the Company or any of the Professional Parties. Neither the Company nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this circular or is inconsistent or conflicts with the information contained in this circular, the Company disclaims any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, Shareholders should not rely on any such information in making your decision as to how you would cast your votes in relation to, inter alia, the Proposed Merger. You should rely only on the information contained in this circular.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Enlarged Group has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, the Enlarged Group must have sufficient management presence in Hong Kong. Normally, this means that at least two of the executive Directors of the Enlarged Group must be ordinarily resident in Hong Kong.

Since the headquarters and all the business operations of the Enlarged Group are not principally located, managed or conducted in Hong Kong, our Company does not, and the Enlarged Group will not, for the foreseeable future, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, the Enlarged Group has applied to the Stock Exchange for, and the Stock Exchange has granted the Enlarged Group, a waiver from strict compliance with Rule 8.12 of the Listing Rules. The Enlarged Group will ensure that there is an effective channel of communication between the Stock Exchange and the Enlarged Group upon the Merger Closing by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, both of the Enlarged Group's authorised representatives after the Merger Closing, Mr. Ni and Ms. Yip Chui Mei ("**Ms. Yip**"), will act as the Enlarged Group's principal channels of communication with the Stock Exchange. Accordingly, the authorised representatives of the Enlarged Group will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and email. The Enlarged Group will provide contact details of the two authorised representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any changes in the authorised representatives of the Enlarged Group. Both of them have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) each of the authorised representatives of the Enlarged Group after the Merger Closing has means of contacting all Proposed Directors (including the proposed independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Proposed Director with respect to any matter;
- (c) each Proposed Director has provided his/her mobile phone number, office phone number, fax number (if any) and e-mail address to the authorised representatives of the Enlarged Group after the Merger Closing and the Stock Exchange, and in the event that any Proposed Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) each Proposed Director not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;
- (e) the Enlarged Group has appointed Red Solar Capital Limited as the compliance adviser of the Enlarged Group (the “**Compliance Adviser**”), in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange upon the Merger Closing. The Compliance Adviser will advise on ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Merger Closing Date at least until the date when the Enlarged Group complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Enlarged Group for the first full financial year immediately following the Merger Closing;
- (f) any meeting between the Stock Exchange and the Proposed Directors will be arranged through the authorised representatives or the Compliance Adviser or directly with the Proposed Directors within a reasonable time frame. The Enlarged Group will inform the Stock Exchange promptly in respect of any changes in the authorised representatives or the Compliance Adviser of the Enlarged Group; and
- (g) the Enlarged Group will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the Merger Closing.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Enlarged Group must appoint a company secretary who possesses the necessary academic and professional qualifications or relevant experience and is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic and professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or a barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Stock Exchange will consider in assessing an individual’s “relevant experience”:

- (a) length of employment with the issuer and other issuers and the roles he/she played;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) familiarity with the Listing Rules and other relevant law and regulations, including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training completed and/or to be completed, in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to paragraph 13 of Chapter 3.10 of the Listing Guide, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Listing Guide) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Listing Guide) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 of the Listing Guide, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and
- (b) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

The Enlarged Group considers that while it is important for the company secretary of the Enlarged Group to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to the Enlarged Group's operations, nexus to the Board and close working relationship with the management of the Enlarged Group in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of the Enlarged Group to appoint a person who is familiar with the Enlarged Group's business and affairs as a company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Enlarged Group has appointed Ms. Zhai Jing (翟婧) (“**Ms. Zhai**”) as one of the joint company secretaries of the Enlarged Group with effect upon the Merger Closing. Ms. Zhai is currently an executive director and the vice president of business development of the Target and will be an executive Director and the senior vice president of business development of the Enlarged Group upon the Merger Closing. She has extensive experience in matters concerning the corporate governance. However, Ms. Zhai does not possess the specified qualifications strictly required under Rule 3.28 of the Listing Rules and, thus, may not be able to fulfil the requirements of the Listing Rules on her own. Therefore, the Enlarged Group has also appointed Ms. Yip, an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who meets relevant requirements under Rule 3.28 of the Listing Rules, to act as a joint company secretary of the Enlarged Group and to work closely with and provide support and assistance to Ms. Zhai, for an initial period of three years upon the Merger Closing so as to enable Ms. Zhai to acquire the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules to duly discharge her duties.

The following arrangements have been, or will be, put in place to assist Ms. Zhai in acquiring the qualifications and experience as a company secretary of the Enlarged Group required under Rule 3.28 of the Listing Rules:

- (a) in addition to the minimum training requirements under Rule 3.29 of the Listing Rules, the Enlarged Group will ensure that Ms. Zhai continues to have access to relevant training and support to familiarize herself with the Listing Rules and the duties of a company secretary of a company listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, the Enlarged Group will ensure that both Ms. Zhai and Ms. Yip will seek and have access to the advice from the Enlarged Group’s Hong Kong legal adviser and other professional advisers as and when required;
- (b) Ms. Yip will assist Ms. Zhai to acquire the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules and to discharge her functions as a joint company secretary. Ms. Zhai will be assisted by Ms. Yip for an initial period of three years commencing on the Merger Closing Date. As part of the arrangement, Ms. Yip will act as one of the joint company secretaries of the Enlarged Group and communicate regularly with Ms. Zhai on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to the Enlarged Group. Ms. Yip will also assist Ms. Zhai in organising Board meetings and Shareholders’ meetings of the Enlarged Group as well as other matters of the Enlarged Group which are incidental to the duties of a company secretary;
- (c) upon expiry of Ms. Zhai’s initial term of appointment as our joint company secretary, the Enlarged Group will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Zhai’s appointment as our company secretary continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) Red Solar Capital Limited will serve as the Compliance Adviser of the Enlarged Group pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange for a period commencing upon the Merger Closing and at least until the date on which the Enlarged Group complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year upon the Merger Closing. The Compliance Adviser will act as the Enlarged Group's additional channel of communication with the Stock Exchange, and provide professional guidance and advice to the Enlarged Group and our joint company secretaries as to the compliance with the Listing Rules and all other applicable laws and regulations.

The Enlarged Group has therefore applied to the Stock Exchange for, and the Stock Exchange has granted the Enlarged Group, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be subject to the following conditions: (i) Ms. Yip is appointed as a joint company secretary to assist Ms. Zhai in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Yip, during the three-year period, ceases to provide assistance to Ms. Zhai as the joint company secretary or if there are material breaches of the Listing Rules by the Enlarged Group. The Enlarged Group expects that Ms. Zhai will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period upon the Merger Closing. Before the end of the three-year period, the Enlarged Group will demonstrate to the Stock Exchange and seek the Stock Exchange's confirmation that Ms. Zhai, having had the benefit of Ms. Yip's assistance during the Waiver Period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules so that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

See "Proposed Directors and Senior Management of the Enlarged Group" for further information regarding the qualifications and experience of Ms. Zhai and Ms. Yip.

CONTINUING CONNECTED TRANSACTION

The Target Group has entered into, and the Enlarged Group is expected to continue, to engage in certain transaction which will constitute a partially-exempt continuing connected transaction of the Enlarged Group under the Listing Rules upon the Merger Closing.

Accordingly, the Enlarged Group has applied to the Stock Exchange for, and the Stock Exchange has granted the Enlarged Group, waivers in relation to such continuing connected transaction between the Enlarged Group and certain connected person under Chapter 14A of the Listing Rules. For details, see "Continuing Connected Transaction of the Enlarged Group".

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

THE ONE-OFF SHARE OPTION PLAN

According to Rule 17.01(a) of the Listing Rules, share schemes involving the grant by a listed issuer of (i) new shares of the listed issuer; or (ii) options over new shares of the listed issuer, to, or for the benefit of, specified participants of such schemes (which includes a grant of any such shares or options to a trust or similar arrangement for the benefit of a specified participant) shall be subject to the requirements of Rules 17.02 to 17.11 of the Listing Rules.

According to Rule 17.02(1)(b) of the Listing Rules, a scheme adopted by a new applicant prior to its listing does not need to be approved by its shareholders after listing. However, all material terms of the scheme must be clearly set out in the listing document. Where the scheme does not comply with the provisions of this chapter, options and awards granted to, or for the benefit of, specified participants before listing may continue to be valid after listing (subject to the Exchange granting approval for listing of the new applicant's shares to be issued in respect of such options and awards) but no further options or awards may be granted under the scheme after listing. The new applicant must also disclose in the listing document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

According to Chapter 3.6 of the Listing Guide, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

According to Rule 14.54 of the Listing Rules, the Stock Exchange will treat a listed issuer proposing a reverse takeover as if it were a new listing applicant.

As of the date of this circular, the Target had adopted the Target Share Option Scheme, under which 64,160,180 Target Share Options had been granted and remained outstanding. The Target adopted the Target Share Option Scheme to enable the Target to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Target Group.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

At the Merger Effective Time, all outstanding share options under the Target Share Option Scheme will be automatically cancelled and lapse in accordance with the Merger Agreement. In order to provide a fair treatment to the Target Share Option Scheme Grantees and to continue to recognise their contribution or potential contribution to the Enlarged Group following the Merger Closing, the Enlarged Group proposes to adopt the One-off Share Option Plan. Pursuant to the rules governing the Target Share Option Scheme, except as provided otherwise in any other written agreement between the Target and a Target Share Option grantee, at the Merger Effective Time, each Target Share Option can be assumed by and replaced with a comparable option of the Enlarged Group which preserves the compensation element of such Target Share Option existing immediately prior to the Merger Effective Time in accordance with the same exercise schedule to such Target Share Option. Pursuant to the Merger Agreement, each Target Share Option granted and outstanding immediately prior to the Merger Effective Time shall, at Merger Effective Time, be assumed by the Enlarged Group and be automatically converted into a Converted Option entitling the holder thereof to subscribe for Shares pursuant to the One-off Share Option Plan, such that the Converted Options, upon exercise, shall entitle the holder to subscribe for such number of Shares equal to the product of (a) the number of Target Shares issuable pursuant to the outstanding Target Share Option held by such holder immediately prior to the Merger Effective Time multiplied by (b) the Share Exchange Ratio (such number of Shares shall be rounded up to the nearest whole Share). The exercise price for each Converted Option shall be equal to the quotient obtained by dividing (x) the exercise price of each Target Share Option by (y) the Share Exchange Ratio (such exercise price shall be rounded up to the nearest whole cent). For the purpose of the execution and consummation of the transaction as stipulated under the Merger Agreement, the One-off Share Option Plan shall succeed and replace the Target Share Option Scheme in its entirety. All Target Share Options previously granted under the Target Share Option Scheme and outstanding immediately prior to the Merger Effective Time shall be deemed to have been granted to and accepted by the corresponding grantees of such Target Share Options pursuant to the One-off Share Option Plan upon the Merger Effective Time and corresponding Target Share Options shall be cancelled and lapse simultaneously. Accordingly, the Enlarged Group will grant outstanding Converted Options under the One-off Share Option Plan, if approved by the Shareholders at the EGM, to a total of 124 participants to subscribe for an aggregate of 212,370,196 Shares upon the Merger Closing. The proposed grantees include (i) two Proposed Directors (who are also proposed senior management members of the Enlarged Group) and one proposed senior management member of the Enlarged Group; (ii) three connected persons of the Enlarged Group; and (iii) 118 non-connected persons of the Enlarged Group, to subscribe for an aggregate of 212,370,196 Shares, representing approximately 9.23% of the total number of Shares in issue upon the Merger Closing (based on the Presumed Maximum Share Exchange Ratio and assuming that there is no Taxable Target Shareholder) on the terms set out in the section headed “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular.

If approved by the Shareholders at the EGM, the One-off Share Option Plan shall be valid on the adoption date (i.e. the date of the EGM) and at the Merger Effective Time, the Converted Options shall be granted under such plan to assume the relevant comparable Target Share Option. Any Converted Option granted under the One-off Share Option Plan shall become

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

exercisable after the Merger Closing Date after which no further Converted Options shall be granted under the One-off Share Option Plan but the provisions of the One-off Share Option Plan shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any Converted Options granted prior thereto or otherwise as may be required in accordance with the provisions of the One-off Share Option Plan and Converted Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the One-off Share Option Plan.

Upon the Merger Closing, the terms and conditions applicable to such Target Share Options (including but not limited to the expiry date, vesting conditions and exercise conditions) as deemed to be automatically granted under the One-off Share Option Plan shall remain the same with those applicable to such Target Share Options under the Target Share Option Scheme immediately prior to the Merger Effective Time, except with respect to the number of Converted Options granted and their respective exercise prices which shall be adjusted strictly in accordance with the adjustment mechanism specified in the Merger Agreement.

As such, the terms of the rules of the One-off Share Option Plan are substantially the same with the Target Share Option Scheme and do not contain all the provisions as required under Chapter 17 of the Listing Rules. In addition, this circular does not include full particulars regarding the proposed grantees required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules. The Enlarged Group has applied to the Stock Exchange for a waiver for the One-off Share Option Plan from strict compliance with Rules 17.02(1)(b), 17.03(4), 17.03(7), 17.03(9), 17.03(19), 17.03B, 17.03D, 17.03E, 17.04, 17.05, 17.06, 17.06A, 17.06B and 17.06C of, and paragraph 27 of Appendix D1A to, the Listing Rules on the following grounds:

- (a) the adoption of the One-off Share Option Plan will be considered and approved, if thought fit, by the Shareholders at the EGM according to Rule 17.02 of the Listing Rules;
- (b) the One-off Share Option Plan forms a part of the arrangements under the Merger Agreement and aims to provide a fair treatment to the Target Share Option Scheme Grantees to convert the Target Share Options into Converted Options upon the Merger Closing and shall be considered as an integral part of the Proposed Merger;
- (c) other than the conversion of Target Share Options, which were granted by the Target prior to the Merger Effective Time, into Converted Options upon the Merger Closing, no further options may be offered, converted or granted under the One-off Share Option Plan after the Merger Closing. The conversion of the Target Share Options into Converted Options shall be construed solely as a continuation and succession pursuant to the terms specified in the Merger Agreement;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) the Target Share Option Scheme was adopted by the Target prior to the Merger Closing and therefore shall not be subject to the requirements under Rules 17.02 to 17.11 of the Listing Rules. The cancellation of the Target Share Options or any material change of the terms of the Converted Options from those of the Target Share Options solely for the purpose of compliance with Rules 17.02 to 17.11 of the Listing Rules would significantly demoralise of the Target's management team. On the other hand, if the Target opts to accelerate the exercise of these options by the Target Option grantees before the Merger Closing, it will cause instability to the key employees within the Target Group and cause the Target (and thus the Company on a consolidated basis after Merger Closing) to incur substantial financial costs related to share-based payments. Either scenario would profoundly undermine both the operational efficiency and financial health of the Enlarged Group upon the Merger Closing and is not in the best interest of the Shareholders of the Enlarged Group;
- (e) as the definition of the Company Fully-Diluted Shares and the Target Fully-Diluted Shares, which are used to determine the Share Exchange Ratio under the Merger Agreement, have already assumed all the outstanding share options and unvested share options and RSUs of both the Company and the Target are exercised or vested (as the case may be), the conversion of Target Share Options into Converted Options (and the exercise of the Converted Options thereafter by the holders) will not affect the Share Exchange Ratio. As such, the waiver, if granted, will also not lead to further change to Share Exchange Ratio to the detriment of the Shareholders;
- (f) the Enlarged Group will not grant any further option under the One-off Share Option Plan upon completion of the Proposed Merger;
- (g) given that 124 grantees are proposed to be involved in the One-off Share Option Plan, if approved by the Shareholders at the EGM, setting out full details of all the proposed grantees under the One-off Share Option Plan in this circular would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation and document preparation;
- (h) the disclosure of the personal details of each proposed grantee, including the number of Converted Options to be granted and the address, may require obtaining consent from all the proposed grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents;
- (i) given the nature of the business of the Company and the Enlarged Group, it is extremely important for the Enlarged Group to recruit and retain talents, and the success of the Company's and the Enlarged Group's long-term development plan will very much depend on the loyalty and contribution of the proposed grantees, whereas the information relating to the Converted Options to be granted to the proposed grantees is highly sensitive and confidential, and disclosure of such information may adversely affect the Company's and the Enlarged Group's costs and ability to recruit and retain talents;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (j) as of the date of this circular, except for six proposed grantees who are Proposed Directors and proposed senior management or connected persons of the Enlarged Group upon the Merger Closing, none of the proposed grantees under the One-off Share Option Plan is or will be a Proposed Director, proposed member of senior management or a connected person of the Enlarged Group upon the Merger Closing. Disclosing the names, addresses and entitlements on an individual basis in this circular will require number of additional pages of disclosure that does not provide any material information to the Shareholders;
- (k) deviation from strict compliance with the disclosure requirements would not deprive the Shareholders or potential investors of information necessary for them to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group or the Enlarged Group upon the Merger Closing; and
- (l) sufficient information with respect to the One-off Share Option Plan and the proposed grants thereunder will be disclosed in this circular:
 - a. on an individual basis, full details of the Converted Options to be granted under the One-off Share Option Plan, to each of the Directors, members of senior management and connected persons of our Company and Proposed Directors, proposed senior management and connected persons of the Enlarged Group upon the Merger Closing, will be disclosed in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular, as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules;
 - b. in respect of the Converted Options to be granted under the One-off Share Option Plan, the following information will be disclosed in this circular:
 - i. the aggregate number of the grantees and the number of Shares subject to the Converted Options proposed to be granted;
 - ii. the consideration paid or to be paid for and the date of the grant of the Converted Options; and
 - iii. the exercise period and the exercise price for the Converted Options;
 - c. there will be disclosure in this circular for the aggregate number of Shares underlying the Converted Options to be granted under the One-off Share Option Plan and the percentage of our Company’s total issued share capital represented by such number of Shares;
 - d. the dilutive effect upon full exercise of the Converted Options to be granted under the One-off Share Option Plan will be disclosed in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- e. a summary of the major terms of the One-off Share Option Plan will be disclosed in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular;
 - f. the particulars of the waiver will be disclosed in this circular; and
 - g. a full list of all the proposed grantees of Converted Options under the One-off Share Option Plan, containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, will be made available for public inspection in accordance with “Documents on Display” in Appendix VII to this circular; and
- (m) the Enlarged Group will disclose all information with respect to the One-off Share Option Plan in compliance with Rule 17.07 of the Listing Rules.

In light of the above, our Directors are of the view that the grant of the waiver sought under this application will not prejudice the interests of the Shareholders or the investment public. The Stock Exchange has granted to us such waiver on the conditions that:

- (a) the proposed adoption of the One-off Share Option Plan is approved by the Shareholders at the EGM;
- (b) on an individual basis, full details of the Converted Options to be granted under the One-off Share Option Plan, to each of the Proposed Directors, proposed senior management and connected persons of the Enlarged Group upon the Merger Closing, will be disclosed in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular, as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules;
- (c) in respect of the Converted Options to be granted under the One-off Share Option Plan, the following information will be disclosed in this circular:
 - a. the aggregate number of the grantees and the number of Shares subject to the Converted Options;
 - b. the consideration paid or to be paid for and the date of the grant of the Converted Options; and
 - c. the exercise period and the exercise price for the Converted Options.
- (d) there will be disclosure in this circular for the aggregate number of Shares underlying the Converted Options to be granted under the One-off Share Option Plan and the percentage of the Enlarged Group’s total issued share capital represented by such number of Shares;
- (e) the dilutive effect upon full exercise or vesting of the Converted Options to be granted under the One-off Share Option Plan and the impact on earnings per Share will be disclosed in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (f) a summary of the major terms of the One-off Share Option Plan will be disclosed in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular;
- (g) the particulars of the waiver will be disclosed in this circular; and
- (h) a full list of all the proposed grantees of the Converted Options under the One-off Share Option Plan, containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, will be made available for public inspection in accordance with “Documents on Display” in Appendix VII to this circular.

THE PRE-EXISTING COMPANY SHARE SCHEMES

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

According to Chapter 3.6 of the Listing Guide, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant or unduly burdensome, subject to certain conditions specified therein.

According to Rule 17.02(1)(b) of the Listing Rules, a scheme adopted by a new applicant prior to its listing does not need to be approved by its shareholders after listing. However, all material terms of the scheme must be clearly set out in the listing document. Where the scheme does not comply with the provisions of this chapter, options and awards granted to, or for the benefit of, specified participants before listing may continue to be valid after listing (subject to the Exchange granting approval for listing of the new applicant’s shares to be issued in respect of such options and awards) but no further options or awards may be granted under the scheme after listing. The new applicant must also disclose in the listing document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

As at the Latest Practicable Date, the Company had five share schemes, namely, the Pre-IPO Share Option Plan, the Post-IPO Share Option Plan, the 2023 Share Option Plan, the 2021 RSU Plan, the 2023 RSU Plan.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

As of the Latest Practicable Date, there were outstanding share options and RSUs under the Pre-Existing Company Share Schemes granted by the Company to a total of 15 grantees, including three connected persons of the Company (being a Director, the chief executive officer of the Company and a chief executive of a subsidiary of the Company, collectively, the “**Connected Grantees**”) and 12 non-connected persons of our Company (all of whom are current employees or former employees of our Group), to subscribe for an aggregate of 18,159,967 Shares, representing approximately 3.44% of the total number of issued Shares as of the Latest Practicable Date and approximately 0.79% of the enlarged issued share capital immediately upon Merger Closing (on the basis that 1,773,136,744 Consideration Shares will be allotted and issued according to the Presumed Maximum Share Exchange Ratio, and assuming (i) there is no other change in the number of Target Shares held by each Target Shareholder from the Latest Practicable Date up to and until the Merger Closing Date, (ii) there is no Taxable Target Shareholder, and (iii) none of the Converted Options under the One-off Share Option Plan has been exercised).

No new awards may be granted under the Pre-Existing Company Share Schemes after the Merger Closing.

We have applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under (i) paragraph 27 of Appendix D1A to the Listing Rules in connection with the disclosure of certain details relating to the share options and RSUs and certain grantees in this circular and (ii) Rule 17.02(1)(b) of the Listing Rules, on the grounds that such disclosures are irrelevant to the consideration of the Proposed Merger, and the exemption will not prejudice the interest of the Shareholders for the following reasons:

- (a) the disclosure of the personal details of each grantee, including the number of outstanding share options and RSUs granted and address, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles;
- (b) insofar as the Pre-Existing Company Share Schemes are concerned, the Company has been listed on the Stock Exchange since October 2020. As such, details of the Pre-Existing Company Share Schemes were disclosed in the annual reports and interim reports of the Company in accordance with Rule 17.02(1)(b) and Rules 17.07 to 17.09 of the Listing Rules. Our Directors consider information in relation to the Pre-Existing Company Share Schemes have been available in public domain and the scope of which is in line with those commonly expected on a listed issuer including the Company;
- (c) the allotment and issue of an additional 18,159,967 Shares upon full exercise of all share options and RSUs outstanding as at the Latest Practicable Date which represents approximately 0.79% of the enlarged issued share capital immediately upon Merger Closing is not material in the circumstances of the Enlarged Group, and the Directors are of the view that this will not cause any material dilution effect to other Shareholders which renders the disclosure of the grantee list on an individual basis to have limited value to Shareholders and potential investors;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) as the definition of Company Fully-Diluted Shares, which is used to determine the Share Exchange Ratio under the Merger Agreement, has already assumed all the outstanding share options and unvested share options and RSUs of the Company are exercised or vested, the exercise or vesting of the outstanding share options and RSUs will not affect the Share Exchange Ratio and the disclosure of the full details relating to the outstanding share options and RSUs is hence irrelevant to the consideration of the Proposed Merger;
- (e) given the nature of the business of the Company and the Enlarged Group, it is extremely important for the Company and the Enlarged Group to recruit and retain talents, and the success of the Company's and the Enlarged Group's long-term development plan will very much depend on the loyalty and contribution of the grantees, whereas the information relating to the outstanding options and RSUs granted to the grantees is highly sensitive and confidential, and disclosure of such information may adversely affect the Enlarged Group's costs and ability to recruit and retain talents;
- (f) as at the Latest Practicable Date, except for the three Connected Grantees, none of the other grantees under the Pre-Existing Company Share Schemes is a connected person of our Company. Disclosing the entitlements on an individual basis in this circular will require number of additional pages of disclosure that does not provide any material information to the Shareholders;
- (g) deviation from strict compliance with the disclosure requirements would not deprive the Shareholders or potential investors of information necessary for them to make an informed assessment of the Proposed Merger, the activities, assets, liabilities, financial position, management and prospects of the Enlarged Group upon the Merger Closing; and
- (h) material information relating to the outstanding share options and RSUs granted under the Pre-Existing Company Share Schemes has been set out in "Statutory and General Information – 9. Share Schemes – 9.1 Pre-Existing Company Share Schemes" in Appendix VI to this circular, including a summary of the major terms of the Pre-Existing Company Share Schemes, the total number of Shares to be issued under the Pre-Existing Company Share Schemes, the exercise price per Share, the exercise and/or vesting period, the potential dilution effect on shareholding and the impact on earnings per Share. Our Directors consider that the information that is reasonably necessary for the Shareholders and potential investors to make an informed assessment of our Company in their decision-making process has been included in this circular.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In light of the above, our Directors are of the view that the grant of the waiver sought under this application will not prejudice the interests of the Shareholders or potential investors. The Stock Exchange has granted to us a waiver under the Listing Rules on the conditions that:

- (a) on an individual basis, full details of the outstanding options and RSUs granted under the Pre-Existing Company Share Schemes to each of the Connected Grantees will be disclosed in “Statutory and General Information – 9. Share Schemes – 9.1 Pre-Existing Company Share Schemes” in Appendix VI to this circular;
- (b) in respect of the outstanding share options and RSUs granted by our Company under the Pre-Existing Company Share Schemes other than those referred to in subparagraph (a) above, the following information will be disclosed in this circular:
 - a. the aggregate number of the grantees and the number of Shares subject to the share options and RSUs;
 - b. the consideration paid or to be paid for and the date of the grant of the share options and RSUs;
 - c. the exercise period and the exercise price for the share options; and
 - d. the vesting period for the RSUs;
- (c) there will be disclosure in this circular for the aggregate number of Shares underlying the share options and RSUs granted under the Pre-Existing Company Share Schemes and the percentage of our Company’s total issued share capital represented by such number of Shares;
- (d) the dilutive effect upon full exercise or vesting of the outstanding share options and RSUs under the Pre-Existing Company Share Schemes and the impact on earnings per Share will be disclosed in “Statutory and General Information – 9. Share Schemes – 9.1 Pre-Existing Company Share Schemes” in Appendix VI to this circular;
- (e) a summary of the major terms of the Pre-Existing Company Share Schemes will be disclosed in “Statutory and General Information – 9. Share Schemes – 9.1 Pre-Existing Company Share Schemes” in Appendix VI to this circular;
- (f) the particulars of the waiver will be disclosed in this circular; and
- (g) a full list of all the grantees of outstanding share options and RSUs under the Pre-Existing Company Share Schemes containing all the particulars as required under paragraph 27 of Appendix D1A to the Listing Rules and Rule 17.02(1)(b) will be made available for public inspection in accordance with “Documents on Display” in Appendix VII to this circular.

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this circular were extracted from the report prepared by Frost & Sullivan, which was commissioned by the Target Group, and from various official government publications and other publicly available publications. The Target Group engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report. The information from official government sources has not been independently verified by the Target Group, the Joint Sponsors, any of their respective directors and advisers, or any other persons or parties involved in the New Listing Application, and no representation is given as to its accuracy.

THE PHARMACEUTICAL MARKET IN CHINA

Overview

With increasing disposable income, an ageing population, rising health awareness and life expectancy and implementation of healthcare reform plans, China's total healthcare expenditure has experienced significant growth, and is expected to further grow in the future. Accordingly, China's pharmaceutical market has also grown rapidly, and is expected to reach RMB2,089.1 billion in 2027 at a CAGR of 7.1% from 2024 and RMB2,510.0 billion in 2030 at a CAGR of 6.3% from 2027. China's pharmaceutical market consists of three segments, namely, chemical pharmaceuticals, biological pharmaceuticals and traditional Chinese medicines, among which chemical pharmaceuticals accounted for the largest market share in 2024.

Features of the Pharmaceutical Market in China

Market Fragmentation

The pharmaceutical market in China is highly fragmented. There are more than 10,000 pharmaceutical companies in China. In terms of sales revenue in 2024, the top ten domestic listed pharmaceutical companies accounted for only 20.5% of the total China pharmaceutical market. Pharmaceutical companies with competitive commercialized and pipeline product portfolios, manufacturing and supply chain management capabilities and well-established nationwide sales and marketing networks are well-positioned to seize competitive opportunities to expand and benefit from industry development to increase market shares.

Market Entry Barriers

Heavy investment and a long return period have become the main barriers to entering China's pharmaceutical market. The development cycle of a new pharmaceutical product may last more than 15 years, and the development cost may exceed several hundreds of millions of Renminbi. Moreover, significant investments are required for production facilities, quality systems and technical teams. In addition, new entrants to the PRC pharmaceutical market must also navigate a stringent regulatory landscape. The strengthening of China's supervision of the

INDUSTRY OVERVIEW

pharmaceutical market, the Generic Quality Consistency Evaluation (“GQCE”) requirement for generic pharmaceuticals, and registration system for clinical trials of pharmaceuticals in China may increase compliance and other costs and create a high entry barrier for new entrants.

Innovative Drugs

Innovative drugs, which offer novel treatments and therapies to patients, have higher technical barriers and enjoy marketing exclusivity and significant pricing power. Innovative drugs refer to API and its preparation that contain new compounds with clearly defined structure and pharmacological effects, and indicate clinical value in China. In particular, the compound patents and protection periods over innovative drugs exclude others from manufacturing and marketing of products with the same chemical structure, dosage form or indication in China or other countries for an extended period of time. In addition, innovative drugs are perceived to have potentially greater efficacy and/or safety than generic drugs and are therefore generally subject to less competition and relatively lower pricing pressure.

Originator-Branded Drugs

In China, physicians and patients generally attach more importance to the brand and credibility of pharmaceuticals in part due to their concerns about safety, efficacy and quality of drugs. As a result, originator-branded drugs with established clinical value, well-recognised brands and proven safety and efficacy profiles often command significant market share in China, even though they are typically priced at a premium to competing generics. Originator-branded drugs are generally the first of its kind. In China, originator-branded drugs are the preferred reference drugs for the GQCE, as they are generally perceived to have high manufacturing quality standards with a superior safety and efficacy profile.

Major Trends of China’s Pharmaceutical Market

Implementation of the Marketing Authorisation Holder (“MAH”) System

A marketing authorisation holder, or MAH, is the holder of the drug authorisation certificate, including the imported drug license (“**IDL license**”). An MAH is entitled to the product rights for a relevant drug, including for research and development, manufacturing and/or supply chain management and sales and marketing. Accordingly, an MAH shall assume the responsibility for the product quality in the whole life cycle of a drug, including for pre-clinical research, clinical trials, production and marketing, post-marketing research, monitoring, reporting and handling of adverse reactions of the drug. Importantly, an MAH may manufacture and sell the drug by itself, or entrust third-party contract manufacturing organisations (“**CMOs**”) and contract sales organisations (“**CSOs**”) for the relevant functions. Under the MAH system, an MAH can flexibly choose business partners for research and development, manufacturing, and sales and marketing, while maintaining its position as the product right holder. For example, an MAH in China can entrust overseas CMOs for the manufacturing of a drug. As such, the MAH system in China lays the foundation for the acquisition and in-licensing of innovative drugs from global pharmaceutical companies to China.

INDUSTRY OVERVIEW

The role of an MAH fundamentally differs from that of a party holding in-licensing rights, primarily in the scope of ownership and legal responsibility. An MAH is the legal entity that has obtained regulatory approval to market a drug, thereby assuming full, end-to-end responsibility for the product's entire lifecycle. This comprehensive accountability encompasses clinical development, manufacturing quality, pharmacovigilance, and post-marketing supervision. By contrast, an in-licensing right refers to the commercial permissions obtained through a contractual agreement with the originator, granting the licensee the ability to develop and/or commercialize a drug. These rights are typically limited in scope—defined by territory, indication, or period—and, crucially, do not automatically confer the same level of ultimate regulatory and legal responsibility upon the licensee as that required of an MAH.

The following table illustrates the differences between an MAH and exclusive marketing and distribution right holder.

Comparison of MAH and Exclusive Marketing and Distribution Right Holder

	MAH	Exclusive Marketing and Distribution Right Holder
Rights	Full product rights, including research and development, manufacturing and/or supply chain management, and sales and marketing	Sales and marketing rights, which are authorized by the MAH
Revenue Structure	Sales revenue, MAH can either sell products by itself, or entrust CSOs to sell	Sales revenue, or promotion service fee
Research and Development	Responsible for product research and development, including clinical trials	Not responsible for product research and development
Manufacturing	MAH can either manufacture products by itself, or entrust CMOs to manufacture	Not responsible for manufacturing, can only purchase finished products or provide promotion services for finished products
Gross Profit Margin	Primarily determined by selling price and cost of manufacturing and/or supply chain functions	Primarily determined by negotiation with the MAH
Quality Management	Responsible for the product quality in the whole life cycle of a drug, including post-marketing research, monitoring, reporting and handling of adverse reactions of the drug	Not responsible for product quality management pharmacovigilance (PV) functions

Source: Frost & Sullivan Analysis

GQCE and Reference Drug

In March 2016, the General Office of the State Council issued the “Opinion on Conducting the Quality and Efficacy Consistency Evaluation of Generic Drugs” (《國務院辦公廳開展仿製藥質量和療效一致性評價的意見》), which requires a consistency evaluation for certain generic drugs. Please see “Regulations” for more details. The GQCE is vital to the pharmaceutical industry in China because the sales revenue of generic pharmaceuticals accounts for a significant proportion of the total healthcare expenditure. With the implementation of the GQCE requirements, generic drugs failing to pass the GQCE are expected to be gradually eliminated and less competitive pharmaceutical companies will be driven out of the market, while competitive ones will further increase their market share by leveraging their product advantages.

The officially-listed reference drugs for the GQCE are typically the originator-branded drugs. To pass the GQCE, domestic generics must demonstrate the same quality as, and be biopharmaceutically equivalent to, the reference drug. A reference drug for the GQCE is generally perceived to have high manufacturing quality standards with a superior safety and efficacy profile. We expect that the demand for high-quality originator-branded drugs will continue to grow in China.

The Volume-Based Procurement Scheme (“VBP Scheme”)

The VBP Scheme is a centralized drug procurement policy implemented in China to reduce healthcare costs and improve the accessibility of essential medicines. Under the VBP Scheme, pharmaceutical products are procured in bulk through a competitive bidding process, where manufacturers offering the lowest prices are granted access to large-scale contracts. This initiative encourages price reductions, enhances market penetration for selected drugs, and fosters competition within the pharmaceutical industry. This scheme has been expanded across multiple therapeutic areas and regions, becoming a significant driver of pricing dynamics in China’s pharmaceutical market.

The National Reimbursement Drug List (“NRDL”)

The NRDL is a catalog of medicines covered under China’s national medical insurance system. The NRDL determines which drugs are eligible for reimbursement and the extent of reimbursement provided. The inclusion of a drug in the NRDL significantly increases its affordability and market accessibility, as patients can claim partial or full reimbursement for its cost. The NRDL is updated periodically to reflect advancements in medical technology, clinical efficacy, and economic considerations, playing a critical role in shaping the pharmaceutical market in China.

Major Drivers of China's Pharmaceutical Market

China's pharmaceutical market is expected to continue its growth and this expectation is determined by several key drivers as set out below.

- *Favorable macroeconomic trends and rising healthcare demand.* Continued economic development in China is increasing per capita disposable income. This directly enhances consumer purchasing power for healthcare products and services while simultaneously boosting overall health awareness, creating a strong, demand-led market.
- *Emergence of an innovative biotech ecosystem.* The biotech sector is poised to become a primary engine of growth in the pharmaceutical market. This is driven by a confluence of strong government support, robust capital investment, and a deepening talent pool, which together are accelerating the development and launch of innovative drugs.
- *Supportive policy tailwinds and enhanced regulatory framework.* The Chinese government has implemented a series of favorable policies designed to encourage pharmaceutical R&D and innovation. Concurrently, strengthened market regulation is fostering a more efficient, disciplined, and competitive landscape, ensuring sustainable and healthy industry development.

In particular, the Target Group's targeted sub-therapeutic areas, which include the anti-MRSA drug market, pediatric anti-bacterial drug market, asthma and COPD inhalant market, and lipid-regulation drug market, are expected to sustain growth. This expectation is based on several key drivers outlined below.

- *Anti-MRSA drug market.* The majority of MRSA infections in China occur in hospitalized patients, particularly those undergoing invasive procedures. As medical expenditure continues to grow, there is a corresponding increase in the number of hospitalizations and inpatient surgery volume. Additionally, the heightened diagnosis and treatment rate of MRSA infection is expected to result in a growing demand for prescriptions. Furthermore, the introduction of new anti-MRSA drugs into the market will fuel substantial growth from 2024 to 2030.
- *Pediatric anti-bacterial drug market.* The PRC government has implemented policies to encourage pharmaceutical companies to conduct clinical trials for pediatric drugs and provide financial or policy support for their development. As more clinical trials for pediatric drugs are conducted and more drugs with pediatric formulations receive approval, the overall pediatric market will expand. Thus, the future growth of China's pediatric anti-bacterial drug market is primarily driven by the introduction of new pediatric drugs.

INDUSTRY OVERVIEW

- Asthma and COPD inhalant market.** Firstly, the increasing diagnosis and treatment rates of asthma and COPD have led to more prescriptions. Secondly, in recent years, novel drugs with multiple mechanisms of action have been launched, providing patients with a wider range of treatment options.
- Lipid-regulation drug market.** The lipid-regulation drug market will experience substantial growth, primarily due to the introduction of various lipid-regulating drugs with diverse mechanisms of action. Additionally, factors such as an aging population, high incidence of overweight or obesity, lack of physical activity, and high-carbohydrate diets contribute to an increasing prevalence of hyperlipidemia.

Pharmaceutical Market in China by Therapeutic Area

The Target Group strategically focuses on some of the largest therapeutic areas or the fastest-growing and emerging therapeutic areas, including anti-infectives, CVD, respiratory system diseases and oncology. These therapeutic areas are featured by large market size and disease burden or high growth rate with limited innovative therapeutics available. The following table sets forth the market size, actual and expected growth rate, disease burden and numbers of innovative assets applied for the clinical trial application in major therapeutic areas in China.

Market size by ATC class in China, RMB bn, 2024		CAGR 20-24	CAGR 24-30E	CAGR 30E-35E	Disease burden in terms of DALY ₁ in RMB thousand	The number of clinical trials conducted in major therapeutic areas from 2014 to 2022	Currently focused therapeutic areas of the Company
Oncology	253.3	13.9%	10.2%	9.2%	27,003	1,076	Large therapeutic areas with huge unmet needs
Metabolism	251.3	7.4%	6.8%	3.6%	63,246	3,406	
Auto-immune	143.1	4.4%	5.3%	3.8%	38,767	199	
Anti-infectives	137.9	-3.7%	0.1%	1.2%	84,994	275	
Neurology	129.7	-1.7%	1.8%	4.2%	38,767	360	
Psychiatry	129.2	3.6%	3.6%	5.1%	1,232	201	Fast growing and emerging therapeutic areas
CVD	124.6	2.0%	2.2%	5.0%	22,851	276	
Respiratory	99	4.4%	6.2%	2.8%	25,235	286	
Blood and blood forming organs	74.1	2.6%	0.9%	3.2%	4,586	271	
Ophthalmology	41.6	5.6%	3.2%	5.5%	3,733	292	
All others	157.4				14,408	914	

Note: 1. Disability-Adjusted Life Years

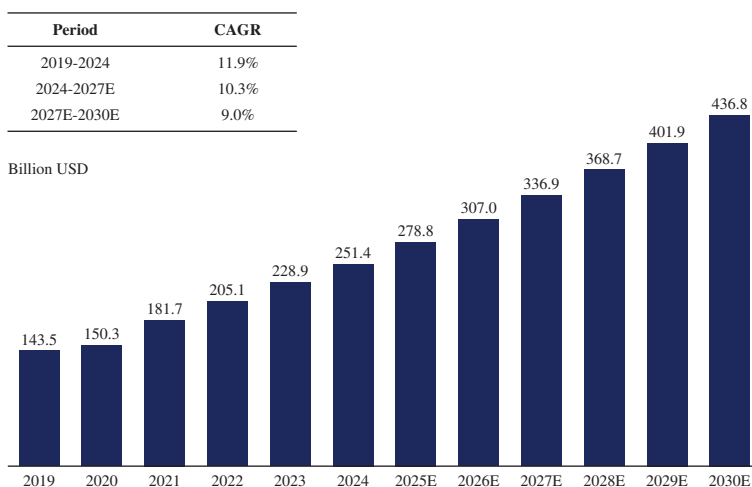
Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

ONCOLOGY DRUG MARKET

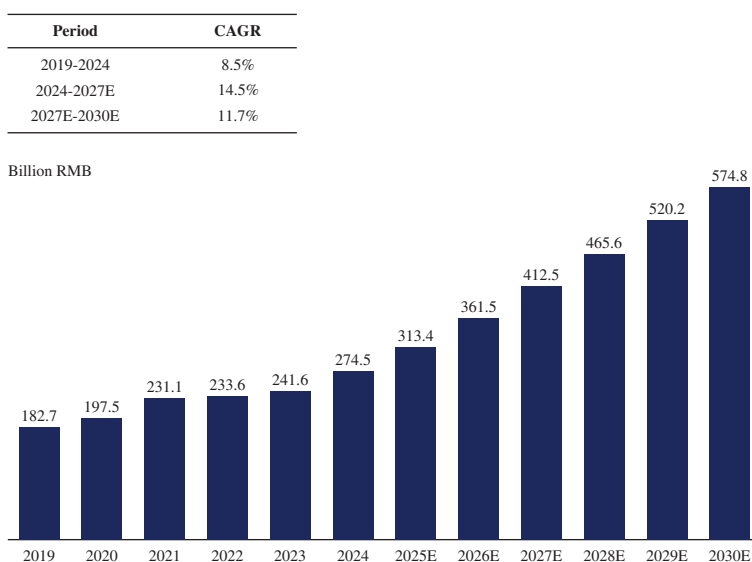
Cancer is the leading cause of mortality worldwide with 9.7 million deaths globally in 2022, and 2.6 million deaths in China alone. Global cancer incidence reached 21.3 million in 2024 and is expected to reach 24.5 million in 2030. In China, cancer incidence was 5.0 million in 2024 and is projected to grow to 5.5 million by 2030. In line with the continuous growth of cancer incidence, the global and China's cancer treatment markets have expanded rapidly. The following charts set for the oncology drug market globally and in China for the periods indicated:

Global Oncology Drug Market, 2019-2030E



Source: Annual Reports of Listed Medical Companies, NMPA, CDE, NRDL, MOHRSS, FDA, IARC, GLOBOCAN, Frost & Sullivan Analysis

China Oncology Drug Market, 2019-2030E

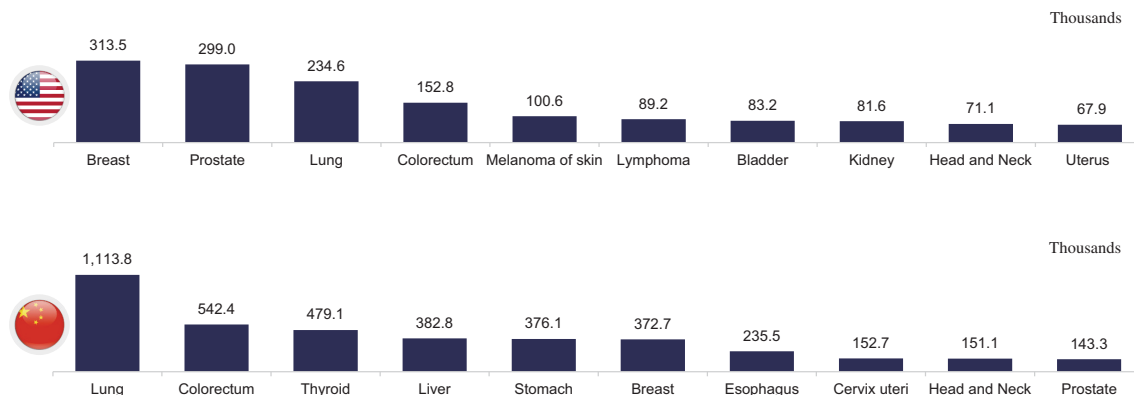


Source: Annual Reports of Listed Medical Companies, NMPA, CDE, NRDL, MOHRSS, NCCR, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

In recent years with continued innovation in this field, targeted therapies and immunotherapies have become backbone of cancer therapy. However, existing treatments often still have limitations that necessitate the development of novel and differentiated treatments, including bispecific and multi-specific antibody drugs. As such, targeted therapies and immunotherapies are expected to continue to grow in market share in the years to come.

The following charts set forth the top ten cancers by incidence the U.S. and in China in 2024:



Breast Cancer Treatment Market

Breast cancer is the most common malignant tumour in women and also occasionally occurs in men, with an incidence of approximately 373.6 thousand in China in 2024. Driven by a combination of factors, it is estimated that the incidence of breast cancer in China will reach 421.9 thousand in 2030. The five-year survival rate of breast cancer was 83.2% in China in 2023, as compared to the survival rate of 91.2% in the U.S.

HR+/HER2- Breast Cancer

HR+/HER2- is the most common breast cancer subtype, representing approximately 65% of all breast cancer incidence in China. HR+ means that tumour cells have receptors for the hormones such as oestrogen or progesterone, which can promote the growth of HR+ tumors. HER2- means that tumour cells do not make high levels of a protein called HER2/neu. The number of HR+/HER2- breast cancer patients in China increased from 214.7 thousand in 2019 to 242.8 thousand in 2024, and is expected to continue to rise to 259.0 thousand in 2027 and 274.2 thousand in 2030. About 24% of HR+/HER2- breast cancer patients are diagnosed with advanced disease.

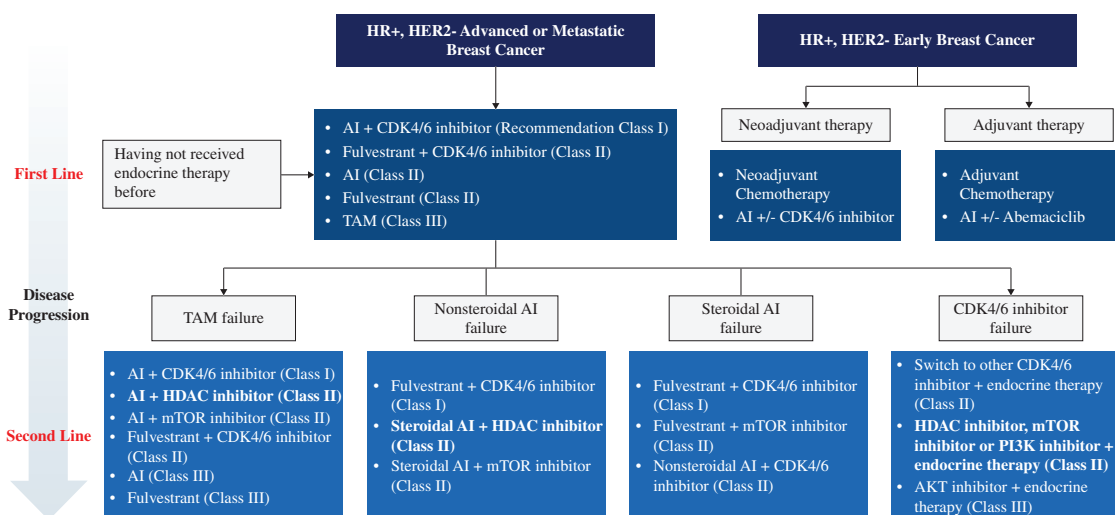
INDUSTRY OVERVIEW

Treatment Paradigm

For HR+/HER2- advanced or metastatic breast cancer, CDK4/6 inhibitors (“**CDK4/6i**”) combination with aromatase inhibitors (“**AI**”) is the standard and recommended first-line treatment. Around 65% of HR+/HER2- advanced or metastatic breast cancer patients progress to second-line treatment, where fulvestrant plus CDK4/6i is the recommended treatment. Other small molecular targeted therapies, such as HDAC inhibitors, mTOR inhibitors and PI3K inhibitors, in combination with endocrine therapy, are also recommended for second-line treatment.

For HR+/HER2- early-stage breast cancer, surgery is the standard treatment. CDK4/6i in combination with AI are approved as an adjuvant or neoadjuvant therapy for certain high risk patients.

The below diagram sets forth the treatment paradigm for HR+/HER2- breast cancer in China.



Source: CSCO2024, Frost & Sullivan Analysis

CDK4/6i Market

CDKs are a family of enzymes that play a crucial role in regulating the cell cycle – the process by which cells divide and replicate. CDKs are activated by binding to regulatory proteins called cyclins, forming cyclin-CDK complexes. Two specific members of the CDK family, CDK4 and CDK6, are essential for the G1 phase of the cell cycle. When binding to cyclin D proteins, these kinases (cyclin D-CDK4/6 complexes) can inactivate tumour suppressor proteins, ultimately promoting cell cycle progression. However, in many cancers, including breast cancer, the CDK4/6 pathway becomes dysregulated, leading to uncontrolled cell proliferation and tumour growth. This has made CDK4 and CDK6 attractive targets for cancer therapies.

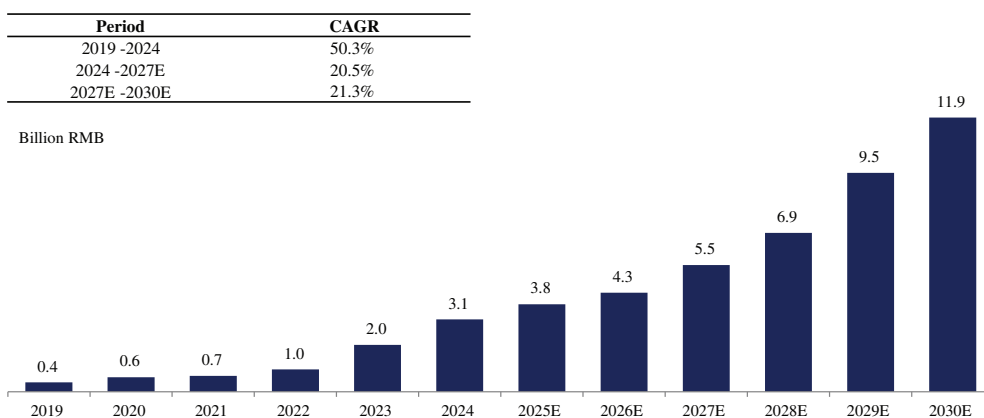
INDUSTRY OVERVIEW

CDK4/6i have significant market demand as the standard first-line treatment in combination with AI for advanced or metastatic breast cancer patients, as well as the recommended second-line treatment in combination with fulvestrant. Moreover, CDK4/6i have been included in treatment guidelines in the U.S. as an adjuvant treatment for early-stage breast cancer treatment in combination with AI, which further expands its patient coverage.

Market Size

Due to increasing market adoption, clinical guideline recommendation and indication expansions, the CDK4/6i market in China increased from RMB0.4 billion in 2019 to RMB3.1 billion in 2024, and is expected to increase to RMB5.5 billion in 2027 at a CAGR of 20.5% from 2024 and to RMB11.9 billion in 2030 at a CAGR of 21.3% from 2027. The following chart sets forth the CDK4/6i market size in China for the periods indicated:

Market Size of CDK4/6 Inhibitors in China, 2019-2030E



Source: National Health Commission, Frost & Sullivan Analysis

Competitive Landscape

As of the Latest Practicable Date, there were four CDK4/6i approved and five CDK4/6i in new drug application (“NDA”) stage in China. Despite the availability of CDK4/6i on the market, there continues to be a large market demand for new CDK4/6i drugs due to serious side effects of existing CDK4/6i drugs, such as hematologic and gastrointestinal toxicities, as well as adverse reactions on the liver, which is problematic for the significant population of patients under 50 years old that seek long-term treatments with improved tolerability and quality of life. Moreover, efficacy of approved CDK4/6i on hard-to-treat populations, such as those with various organ metastases, and heavily pre-treated populations, primarily those who have undergone prior chemotherapy, are limited. Primary and acquired resistance to CDK4/6i is also an issue that necessitates new CDK4/6i.

INDUSTRY OVERVIEW

The following tables set forth the CDK4/6i that are approved and at NDA-stage in China as of the Latest Practicable Date:

CDK4/6i for HR+/HER2- Breast Cancer Approved by NMPA

Drug Name	Brand Name	Company	Indications	Treatment Line	Approval Date
Dapiciclib	艾瑞康®	Hengrui Medicine Co., Ltd.	In combination with an aromatase inhibitor as initial endocrine-based therapy for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	First line	2023/06
			In combination with fulvestrant for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	Second line	2022/01
Ribociclib	Kisqali®	Novartis	In combination with an aromatase inhibitor as initial endocrine-based therapy for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	First line	2023/05
Abemaciclib	Verzenio®	Eli Lilly	In combination with an aromatase inhibitor as initial endocrine-based therapy for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	First line	2020/12
			In combination with fulvestrant for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	Second line	2020/12
			In combination with endocrine therapy (tamoxifen or an aromatase inhibitor) for the adjuvant treatment of adult patients with HR-positive, HER2-negative early breast cancer at high risk of recurrence	Early adjuvant therapy	2021/12
Palbociclib	Ibrance®	Pfizer	In combination with an aromatase inhibitor as initial endocrine-based therapy for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	First line	2018/07

Note: Generics are not included.

Source: NMPA, Frost & Sullivan Analysis

CDK4/6i for HR+/HER2- Breast Cancer in NDA Stage in China

Drug Name	Company	Indications	Treatment Line	NDA Acceptance Date
GB491	G1 Therapeutics/Genor Biopharma Co., Ltd.	In combination with an aromatase inhibitor as initial endocrine-based therapy for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	First line	2024-03-13
		In combination with fulvestrant for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	Second line	2023-03-28
Birociclib	Xuanzhu Biopharmaceutical Co., Ltd.	In combination with fulvestrant for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	Second line	2023-08-30
		Monotherapy for HR-positive, HER2-negative advanced or metastatic breast cancer with disease progression after two or more endocrine therapies and one or more chemotherapy	Third- or later-line	2023-10-11
FCN-437c	Fosun Pharma	In combination with fulvestrant for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	Second line	2023-11-21
Ribociclib	Novartis	In combination with endocrine therapy (tamoxifen or an aromatase inhibitor) for the adjuvant treatment of adult patients with HR-positive, HER2-negative early breast cancer at high risk of recurrence	Early adjuvant therapy	2023-12-19
BPI-16350	Betta Pharmaceuticals Co. Ltd	In combination with fulvestrant for the treatment of HR-positive, HER2-negative advanced or metastatic breast cancer	Second line	2024-05-01

Source: CDE, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

To date, GB491 has been approved in China. In non-head-to-head trials, GB491 displayed a differentiated safety profile compared to approved CDK4/6i for the treatment of HR+/HER2 advanced or metastatic BC (in combination with endocrine therapy). Its improved safety profile is expected to bring better tolerability and treatment compliance for patients, as well as the ability to continue on medication without treatment holiday.

Safety Data of GB491 and Approved CDK4/6i for the Treatment of HR+/HER2-Advanced or Metastatic BC (in combination with Endocrine Therapy)

Drug name	Continuous medication without treatment holidays	Grade 3/4 Neutropenia (%)	Grade 4 Neutropenia (%)	Diarrhoea	Skin rash	VTE events	QT prolongation	Hepatotoxicity
GB491/Lerociclib	Yes	48.9%	4.9%	25.4%	4.9%	Not reported	Not reported	Not needed
Abemaciclib	Yes	29.8%	1.0%	81%	14%	Attention	Not reported	Liver function monitoring
Dalpiciclib	No	85.8%	22.1%	10%	24.1%	Not reported	Not reported	Not needed
Palbociclib	No	66%	10%	26%	18%	Attention	Not reported	Not needed
Ribociclib	No	62%	6.8%	35%	17%	Attention	Warning	Liver function monitoring

Source: Drug labels, Frost & Sullivan Analysis

In non-head-to-head trials, GB491 displayed strong efficacy compared to approved CDK4/6i in the first-line treatment of HR+/HER2 advanced or metastatic BC.

Efficacy Data of GB491 and Approved CDK4/6i in the First-line Treatment of HR+/HER2- Advanced or Metastatic BC

Drug name	mPFS, Study group VS Control group (month)	ORR	mOS (month)
GB491/Lerociclib	Not reached vs 16.56 HR 0.464 (0.293, 0.733) P=0.0004	59.1% vs 45.8%	Not reached
Dalpiciclib	30.6 vs 18.2 HR 0.51 (0.38, 0.69) P<0.0001	57.4% (51.6%, 63.1%) vs 47.7% (39.6%, 55.9%)	Not reached
Ribociclib	25.3 vs 16.0 HR 0.568 (0.457, 0.704) P<0.000001	42.5% (37.2%, 47.8%) vs 28.7% (23.9%, 33.6%)	63.9 (52.4, 71.0) vs 51.4 (47.2, 59.7) Statistically significant difference
Abemaciclib	28.18 vs 14.76 HR 0.540 (0.418, 0.698) P=0.000002	49.7% (44.3%, 55.1%) vs 37.0% (29.6%, 44.3%)	67.1 vs 54.5 No statistically significant difference
Palbociclib	27.6 vs 14.5 HR 0.563 (0.461, 0.687) P<0.000001	47.5% (42.8%, 52.3%) vs 38.7% (32.3%, 45.5%)	53.9 (49.8, 60.8) vs 51.2 (43.7, 58.9) No statistically significant difference

Source: Drug labels, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

In non-head-to-head trials, GB491 displayed strong efficacy compared to certain approved CDK4/6i for hard-to-treat and heavily pre-treated patient populations in second-line treatment of HR+/HER2- advanced or metastatic BC.

Drug name	mPFS, Study group VS Control group	HR in patients with liver metastasis (months)	HR in patients with primary drug resistance (months)	HR in patients with metastatic organ number ≥ 4 (months)	HR in patients having received prior chemotherapy (months)
GB491/Lerociclib	11.07 vs 5.49 HR 0.451 (0.311-0.656) P<0.0001	0.487 (0.297, 0.796)	0.374 (0.182, 0.769)	0.326 (0.160, 0.665)	0.286 (0.138, 0.593)
Abemaciclib	11.41 vs 5.59 HR 0.48 (0.32-0.72) P=0.002	0.513 (0.270, 0.974)	Not reported	Not included	0.348 (0.165, 0.734)
Dalpiciclib	15.7 vs 7.2 HR 0.42 (0.309, 0.581) P<0.0001	Not reported	0.57 (0.28, 1.13)	0.68 (0.42, 1.09)	Not included

Source: Drug labels, Frost & Sullivan Analysis

HDAC Inhibitor Market

While CDK4/6i have significantly improved outcomes for patients with HR+/HER2- breast cancer, alternative treatment options are also necessary to address the needs of patients who fail first-line treatments such as CDK4/6i, TAM and AI. Histone deacetylase (“**HDAC**”) inhibitors and mTOR inhibitors are the key targets in anti-tumour therapy used in combination with endocrine therapy as second-line treatment for HR+/HER2- advanced or metastatic breast cancer. Research suggests that the combination of exemestane (an AI) with HDAC inhibitors, with fewer drug-related severe adverse events (“**AEs**”), shows a better safety profile compared to the combination of exemestane with mTOR inhibitors.

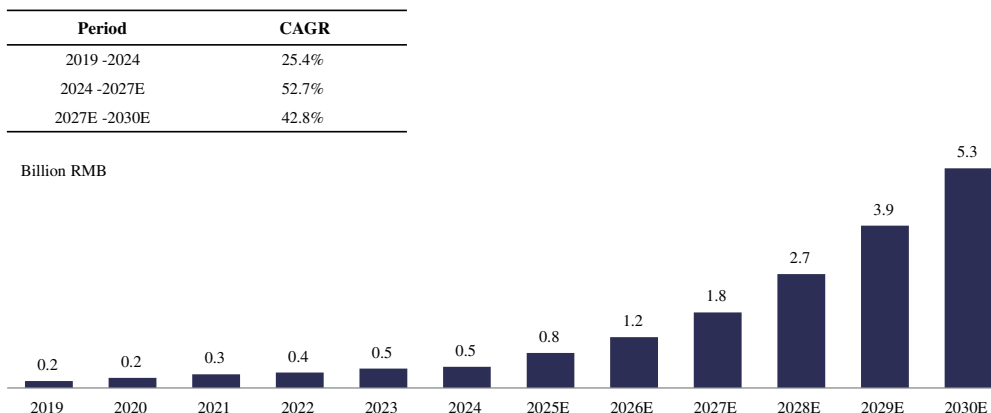
HDAC is a special protein that helps control how genes work by making changes to the structure of chromosomes. It works together with histone acetyltransferase (“**HAT**”) to control the level of histone acetylation in human body. Histone acetylation affects how tightly the DNA is packaged and can determine whether genes are turned on or off. As a result, HDAC and HAT are important regulators that help with the regulation of gene expression and play a role in how the body functions at a genetic level. When the level of acetylation in the human body is out of balance (especially when it is low), tumors may occur.

INDUSTRY OVERVIEW

Market Size

The size of HDAC inhibitor market in China increased from RMB0.2 billion in 2019 to RMB0.5 billion in 2024, and is expected to increase to RMB1.8 billion in 2027 at a CAGR of 52.7% from 2024 and to RMB5.3 billion in 2030 at a CAGR of 42.8% from 2027. The following chart sets forth the HDAC inhibitor market size in China for the periods indicated:

Market Size of HDAC Inhibitor in China, 2019-2030E



Source: Frost & Sullivan Analysis

Competitive Landscape

As at the Latest Practicable Date, the only HDAC inhibitors approved by NMPA in China for HR+/HER2- breast cancer were Epidaza[®] from Chipscreen and Jing Zhu Da from Taizhou EOC. Compared to Epidaza[®], Jing Zhu Da has demonstrated advantages in safety and convenience, with lower gastrointestinal and hematological toxicity in non-head-to-head trials and a once-weekly dosing regimen compared to Epidaza[®] with a twice-weekly dosing regimen. Moreover, Jing Zhu Da in combination with AI has an OS of 38.4 months, while Epidaza[®] in combination with AI had an OS of 30.3 months in non-head-to-head trials.

CD3/CD20 T-cell Engager Market

CD3/CD20 T-cell engagers (“**CD3/CD20 TCE**”) are a class of immunotherapeutic agents designed to activate T cells to recognise and eliminate cancer cells. They possess two binding sites: one targeting CD20, a protein commonly found on the surface of B cells and many B-cell malignancies, and the other targeting CD3, a component of the T-cell receptor complex. In CD3/CD20 TCEs, the CD20-binding domain of the TCE recognises and binds to CD20 on the surface of B-cells, bringing the T-cell in close proximity to the B-cell, and the CD3-binding domain of the TCE engages with the CD3 complex on the T-cell, activating the T-cell and triggering its cytotoxic response against the CD20-expressing B-cell.

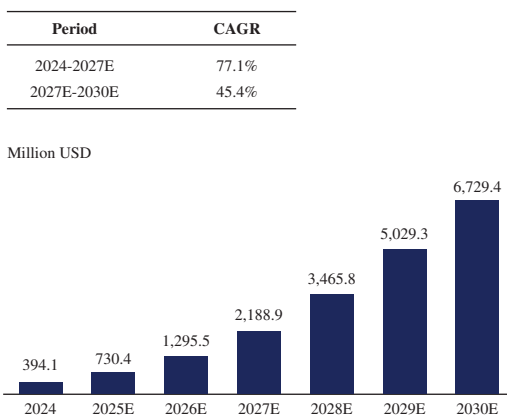
INDUSTRY OVERVIEW

Addressable Markets

CD3/CD20 TCEs aim to address the need for more effective treatment options in various cancers and autoimmune diseases where B-cells play a central role in disease pathogenesis. Currently approved or clinically-validated indications for CD20 mAbs are all potential addressable markets for CD3/CD20 TCEs, including oncology indications non-Hodgkin lymphoma (“**NHL**”), CLL, and small lymphocytic lymphoma, as well as autoimmune diseases rheumatoid arthritis (“**RA**”), multiple sclerosis (“**MS**”), lupus nephritis, granulomatosis with polyangiitis, microscopic polyangiitis, and pemphigus vulgaris. These indications represent some of the largest patient populations in oncology and autoimmune diseases, with approximately 598.7 thousand NHL patients, 41.3 million RA patients, 3.2 million MS patients and 8.1 million SLE patients globally in 2024.

The following table sets forth the market size for CD3/CD20 TCEs globally as of the periods indicated:

Market Size of CD3/CD20 T-cell Engager in China, 2024-2030E



Source: Frost & Sullivan Analysis

Limitations of Existing Treatments

Chemotherapy with CD20 mAbs, such as rituximab, used in combination, is the primary treatment for most types of NHL. NHL patients often develop resistance to these existing treatments, leading to relapse. Existing treatments can also cause significant side effects, such as myelosuppression, infections, neuropathy, and organ toxicities. Moreover, many patients experience limited duration of response that leads to remission or continuous treatment.

INDUSTRY OVERVIEW

Anti-inflammatory agents, such as NSAIDs, glucocorticoids and DMARDs, are commonly used treatment options for patients with autoimmune diseases, such as RA, MS, lupus nephritis, among others, particularly during the initial stages of disease. These treatments are limited to treating symptoms instead of the cause of disease. Moreover, many are systemic treatments, and as a result, may impair the immune system with long-term use and result in serious side effects. Biological agents, including tumour necrosis factor- α (TNF- α) inhibitors, interleukin antagonists and JAK inhibitors, are also widely used to treat autoimmune diseases. However, they can be associated with secondary bacterial and viral infections and many patients develop drug resistance. There is a huge clinical unmet needs for novel therapies with better safety profile and better tolerance for long-term use.

By redirecting T cells to tumour cells, CD3/CD20 TCEs can more effectively harness immune system to combat cancer. This direct cytotoxic mechanism offers several advantages over traditional chemotherapy and mAbs (such as rituximab), including (i) CD3/CD20 TCE(s) can quickly activate T cells, resulting in a swift anti-tumour response; (ii) by dual targeting, CD3/CD20 TCE(s) can overcome limitations of single-target therapies against cold tumours and therefore address patient unresponsiveness and resistance; and (iii) with more specific tumour cell targeting, CD3/CD20 TCEs can potentially have fewer side effects.

Competitive Landscape of CD3/CD20 TCEs

As of the Latest Practicable Date, there were three CD3/CD20 TCEs approved globally. As of the same date, there were two CD3/CD20 TCEs approved in China. The following table sets forth the approved CD3/CD20 TCEs globally and in China as of the Latest Practicable Date:

Drug Name	Brand Name	Target	Company	Competent Authority	Indications	Approval Date
Glofitamab-gxbm	COLUMVI	CD3/CD20	Roche	FDA	Indicated for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma who received two or more lines of systemic therapy	2023-06-15
				NMPA	Indicated for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma who received two or more lines of systemic therapy	2023/11/07
Epcoritamab-bysp	EPKINLY	CD3/CD20	Genmab/AbbVie	FDA	Indicated for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma who received two or more lines of systemic therapy	2023-05-19
Mosunetuzumab-axgb	LUNSUMIO	CD3/CD20	Roche	FDA	Indicated for the treatment of adult patients with relapsed or refractory follicular lymphoma after two or more lines of systemic therapy	2022-12-22
				NMPA	Indicated for the treatment of adult patients with relapsed or refractory follicular lymphoma who have received at least two prior lines of systemic therapy	2024-12-23

Source: FDA, NMPA, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

The currently approved CD3/CD20 TCEs are often associated with adverse effects from cytokine release syndrome (“CRS”), a potentially life-threatening systemic inflammatory response that can result in high fever, hypotension, respiratory distress, organ dysfunction, and neurologic toxicities. Such side effects may lower patient tolerability and treatment compliance. Moreover, existing CD3/CD20 TCEs are approved for limited indications, with none approved for autoimmune diseases.

GB261 is a phase 1/2 CD3/CD20 TCE with clinical development in both China and globally. Its phase 1/2 clinical trial of B-NHL (DLBCL and FL) in China and Australia demonstrated promising efficacy and a favourable safety profile. Specially, GB261 has been shown to significantly reduce CRS. Notably, among the 20 efficacy evaluable patients with R/R FL, the ORR was 90.0% and the CR rate was 75.0%. GB261’s promising efficacy and safety profile not only position it well as a differentiated drug for oncology indications, but also as a potential treatment for a wide range of autoimmune diseases.

In addition to GB261, there were five other CD3/CD20 TCEs in phase 1/2 or later clinical stage globally and eight others in phase 1/2 or later clinical stage in China as of the Latest Practicable Date. The following table sets forth the CD3/CD20 TCEs in clinical development globally and in China as of the Latest Practicable Date:

Competitive Landscape of Global CD3/CD20 Bispecific Antibodies in Phase 1/2 or Later

Drug Name	Target	Company	Clinical Stage	Indications	First Posted Date
Odrnextamab	CD3/CD20	Regeneron Pharmaceuticals	Phase 3	Follicular Lymphoma	2023-10-19
			Phase 3	Diffuse Large B Cell Lymphoma	2023-10-19
			Phase 3	Marginal Zone Lymphoma	2023-11-28
GB261	CD3/CD20	Genor Biopharma	Phase 1/2	B-cell non-Hodgkin Lymphoma, Chronic Lymphocytic Leukaemia	2021-06-11
CM355	CD3/CD20	InnoCare Pharma	Phase 1/2	B-cell non-Hodgkin Lymphoma	2022-01-27
MBS303	CD3/CD20	Mabworks Biotech Co., Ltd.	Phase 1/2	Non-Hodgkin Lymphoma	2023-04-10
EX103	CD3/CD20	ExcelMab	Phase 1/2	Non-Hodgkin Lymphoma	2023-09-01

INDUSTRY OVERVIEW

Competitive Landscape of China CD3/CD20 Bispecific Antibodies in Phase 1/2 or Later

Drug Name	Target	Company	Clinical Stage	Indications	First Posted Date
Mosunetuzumab-axgb	CD3/CD20	Roche	Phase 3	Follicular Lymphoma	2021-09-02
Epcoritamab-bysp	CD3/CD20	Genmab/AbbVie	NDA	Diffuse Large B Cell Lymphoma	2024-11-06
			Phase 3	Follicular Lymphoma	2023-03-28
Odronektamab	CD3/CD20	Regeneron Pharmaceuticals/ ZAI Lab (Shanghai) Co., Ltd.	Phase 2	B-cell non-Hodgkin Lymphoma	2020-10-10
TQB2825	CD3/CD20	Nanjing Shunxin Pharmaceutical of Chiatai Tianqing Pharmaceutical Group	Phase 2	B-cell non-Hodgkin Lymphoma	2025-01-24
CM355	CD3/CD20	Keymed Biosciences/ InnoCare Pharma	Phase 1/2	B-cell non-Hodgkin Lymphoma	2021-10-27
GB261	CD3/CD20	Genor Biopharma	Phase 1/2	B-cell non-Hodgkin Lymphoma, Chronic Lymphocytic Leukaemia, Small Lymphocytic Lymphoma	2022-07-22
MBS303	CD3/CD20	Mabworks Biotechnology Co., Ltd	Phase 1/2	B-cell non-Hodgkin Lymphoma	2023-02-14
SCTB35	CD3/CD20	SinoCelltech Ltd.	Phase 1/2	Systemic Lupus Erythematosus	2024-11-07
			Phase 1	B-cell non-Hodgkin Lymphoma	2024-03-25

Source: ClinicalTrials.gov, CDE, Frost & Sullivan Analysis

EGFR/cMET/cMET Tri-specific Antibody Drug Market

Epidermal growth factor receptor (“**EGFR**”) is a transmembrane receptor tyrosine kinase that plays a crucial role in regulating cell proliferation, survival, and differentiation, and its over-expression or constitutive activation due to mutations can lead to uncontrolled tumour growth and metastasis. Mesenchymal-epithelial transition factor (“**c-MET**”) is another receptor tyrosine kinase that, when aberrantly activated, including MET exon14 skipping alteration, MET gene amplification and MET protein over-expression, can promote tumour progression, invasion, and resistance to targeted therapies, making it an attractive therapeutic target in various cancer types.

The synergistic relationship between EGFR and c-MET in cancer pathogenesis is characterized by cross-talk, co-activation, and reciprocal regulation, leading to enhanced tumour growth, survival, and resistance to targeted therapies. In particular, EGFR-TKI resistance is closely attributed to c-MET aberrant activation. The collaborative effects of these receptor tyrosine kinases extend beyond the tumour cells themselves, influencing the tumour microenvironment by promoting angiogenesis, epithelial-mesenchymal transition, and immune evasion. Given their synergistic relationship, dual inhibition of EGFR and c-MET has emerged as a promising therapeutic strategy to overcome resistance and improve patient outcomes in various cancers driven by these aberrant signalling pathways.

Addressable Markets

There are a number of tumour types with a high frequency of EGFR mutations and c-MET aberrant activation, including non-small cell lung cancer (“NSCLC”), colorectal cancer (“CRC”), head and neck squamous cell carcinoma (“HNSCC”). In particular, approximately 23.9% of NSCLC patients in the United States and 39.8% in China have EGFR mutations. EGFR over-expression can be detected in 40% to 70% of CRC cells, and is closely associated with increased tumour metastases and decreased survival rate of CRC patients. Almost all HNSCC over-express EGFR. In addition, c-MET aberrant activation is reported in a significant percentage of NSCLC, CRC and HNSCC patients and is associated with resistance to EGFR-targeting therapies.

Lung cancer is one of the most common cancers worldwide. The global incidence of NSCLC was 2,231.1 thousand in 2024, with a CAGR of 2.9% from 2019. It is expected to continue increasing to 2,420.5 thousand by 2027, reflecting a CAGR of 2.8% from 2024. Projections indicate that by 2030, the incidence is anticipated to reach 2,614.3 thousand, at a CAGR of 2.6% from 2027 to 2030.

CRC is one of the top ten cancers by incidence globally. The global incidence of CRC was 2,082.7 thousand in 2024, with a CAGR of 2.4% from 2019. It is expected to continue increasing to 2,240.0 thousand by 2027 at a CAGR of 2.5% from 2024 and reach 2,402.4 thousand by 2030 at a CAGR of 2.4% from 2027 to 2030.

The global incidence of HNSCC was 896.6 thousand in 2024, with a CAGR of 2.3% from 2020. It is expected to continue increasing to 957.1 thousand by 2027 at a CAGR of 2.2% from 2024 and reach 1,017.5 thousand by 2030 at a CAGR of 2.1% from 2027 to 2030.

Limitations of Existing Treatments

EGFR-TKIs, such as osimertinib, are the standard first-line treatment for advanced NSCLC with EGFR mutations. While effective, more patients have developed complex drug resistance after TKI treatment. c-MET can be a primary oncogenic driver gene in lung cancer and is also one of the causes of acquired resistance to EGFR targeted therapy. Imposing on the aberrant activation of c-MET may overcome resistance to EGFR-TKI. An EGFR/c-MET bispecific antibody (“bsAb”) has been approved for patients with advanced and metastatic NSCLC with EGFR mutations whose disease has progressed on or after treatment with an EGFR TKI.

For late-stage CRC, the standard treatments include combination chemotherapy or chemotherapy in combination with immunotherapy for both first- and later-line treatments. EGFR over-expression can be detected in 40% to 70% of CRC cells, and is significantly associated with increased tumour metastases and decreased survival rate. Cetuximab, an anti-EGFR mAb, has been approved by FDA and NMPA for the first and second treatment of mCRC in combination with chemotherapy. Additionally, PD-1/PD-L1 inhibitors are recommended for the small fraction of patients with the MSI-H/dMMR phenotype in first- and

INDUSTRY OVERVIEW

second-line settings. However, the efficacy of current treatments remains modest, with the five-year survival rate for late-stage CRC patients being only about 15%, and even lower in mCRC. There are very few treatment options after these standard treatments fail.

For locally advanced HNSCC, chemoradiotherapy is recommended as a first-line treatment. For relapsed and metastatic patients, combination chemotherapy regimens with platinum-based drugs plus 5-FU or plus paclitaxel are the first-line treatment. Cetuximab plus platinum-based drugs is also recommended as the first-line treatment for patients who cannot tolerate combination chemotherapy. For patients who cannot tolerate platinum-based drugs as the first-line treatment, cetuximab plus paclitaxel can be recommended. In addition, anti-PD-1 mAbs combined with chemotherapy can also be recommended as the first-line treatment for relapsed and metastatic HNSCC. Chemotherapy usually have drug toxicity and intolerance issues, while immunotherapy face relative low response rates.

Competitive Landscape of EGFR/cMET Antibody Drugs

Given the synergistic relationship between EGFR and cMET pathways in the pathogenesis of numerous cancers, targeting both EGFR and cMET is a promising therapeutic strategy. As of the Latest Practicable Date, amivantamab from Johnson & Johnson is the only EGFR/cMET bispecific antibody approved globally. Since its approval, amivantamab in combination with chemotherapy has been recommended as a first- and second-line treatment option for advanced NSCLC by the NCCN treatment guidelines in the US, providing further validation for this therapeutic strategy. In addition to NSCLC, promising efficacy was also observed in clinical trials for CRC and HNSCC and a phase 3 clinical trial for amivantamab to treat CRC was recently initiated. In an investor conference, Johnson & Johnson projected peak sales of amivantamab to reach US\$5 billion.

As of the Latest Practicable Date, there were five EGFR/cMET-targeting bispecific antibodies in clinical development globally. Compared to bispecific antibodies, trispecific EGFR/cMET/cMET antibodies that target two distinct cMET epitopes can potentially offer better specificity in the dual inhibition of EGFR and cMET signalling pathways, which could lead to better safety and efficacy profiles.

GB263T is the first trispecific EGFR/cMET/cMET antibody to enter into clinical trial globally, more than two years before the second of this class initiated clinical trial. In its phase 1/2 clinical trial, GB263T demonstrated comparable efficacy as amivantamab and MCLA-129,

INDUSTRY OVERVIEW

but a better safety profile, particularly a lower incidence of infusion related reactions. The following table sets forth the EGFR/c-MET bispecific and trispecific antibodies in clinical development globally as of the Latest Practicable Date:

Competitive Landscape of Global EGFR/c-MET Bispecific/Trispecific Antibodies in Pipeline

Drug Name	Target	Company	Clinical Stage	Indications	First Posted Date
Amivantamab	EGFR/c-MET	Johnson & Johnson	Phase 3	Unresectable or Metastatic Left-sided Colorectal Cancer	2024/10/29
HS-20117	EGFR/c-MET	Hansoh BioMedical	Phase 2/3	Non-Squamous NSCLC	2024/5/16
MCLA-129	EGFR/c-MET	Merus N.V.	Phase 2	Advanced Non-Small Cell Lung Cancer With Actionable Gene Alterations and MET Amplification	2025-03-14
EMB-01	EGFR/c-MET	EpimAb Biotherapeutics Inc.	Phase 1/2	NSCLC and Other Advanced Solid Tumour	2019/1/9
GB263T	EGFR/c-MET/c-MET	Genor Biopharma	Phase 1/2	NSCLC and Other Advanced Solid Tumour	2022/4/18
SHR-9839	EGFR/c-MET	Hengrui Pharmaceutical Co., Ltd.	Phase 1/2	Advanced Solid Tumour	2024/6/25
BG-T187	EGFR/c-MET/c-MET	BeiGene	Phase 1	Advanced Solid Tumour	2024/9/19

Source: ClinicalTrials.gov, Frost & Sullivan Analysis

Tri-specific PD-1/CTLA-4/VEGF Antibody Drug Market

Cancer immunotherapy harnesses the immune system to fight cancer, which is a paradigm shift for cancer treatment over the last decade. PD-1/PD-L1 inhibitors have become a major pillar of immunotherapy, approved for treatment of many types of cancers. The PD-1 inhibitor Keytruda, which is approved to treat over 20 tumour types, alone generated approximately US\$29.5 billion in sales in 2024 globally. CTLA-4 inhibitor, ipilimumab, was the first immune checkpoint inhibitor approved, however its use in clinic has been limited by severe toxicity and low response rate. VEGF is a key pro-angiogenic factor that promotes tumour growth and metastasis, and is highly overexpressed in various solid tumors. The combination therapies of anti-PD-1 with anti-CTLA-4 or anti-VEGF mAbs reveal certain levels of improvement in clinical efficacy. However, severe toxicity also arises.

A bsAb, cadonilimab targeting PD-1/CTLA-4, showed better efficacy and good safety profile and has been approved for cervical cancer and gastric or gastroesophageal junction adenocarcinoma. Another bsAb, ivonescimab targeting PD-1/VEGF, demonstrated a statistically significant and clinical meaningful improvement in PFS in PD-L1 positive NSCLC, compared to pembrolizumab in first line treatment. These studies suggest that simultaneously block two pathways have significantly synergistic effects in terms of PD-1/CTLA-4 or PD-1/VEGF signalling pathways.

INDUSTRY OVERVIEW

Market Opportunities for GB268, a tri-specific antibody targeting PD-1/CTLA-4/VEGF

Given the low response rate of mAbs against PD-1 or CTLA-4 in cancer patients, and with the goal to significantly improve clinical benefits, GB268 is being developed to simultaneously block three pathways of PD-1/CTLA-4/VEGF. PD-1 and CTLA-4 arms are both VHH nanobodies, allowing hexavalency that potentially translates to better efficacy. This tri-specific antibody is fine-tuned to balance the activity of PD-1, CTLA-4 and VEGF inhibition. The binding and blocking of CTLA-4 is dependent on PD-1 expression, which can potentially significantly reduce peripheral toxicity related with CTLA-4 inhibition. In addition, the CTLA-4 binding promotes PD-1 internalization, which is designed to further decrease PD-1/CTLA-4 mediated immune suppression. Fc function is silenced to reduce any potential toxicity related with FcR engagement.

In vivo studies demonstrated that GB268 has superior efficacy and safety profiles. In multiple murine models, GB268 exhibited significantly better anti-tumour efficacy compared to a PD-1/VEGF bsAb, a PD-1/CTLA-4 bsAb, or a triple combination of pembrolizumab, bevacizumab and ipilimumab, indicating that GB268 produced strong synergistic effects in tumour inhibition. Importantly, GB268 also displayed significantly lower toxicity than ipilimumab plus anti-PD-1 in a humanized mouse model. Therefore, GB268 has potential as a next generation of therapeutics with better efficacy and safety for many cancers, which will be verified in the upcoming first-in-human study. As of the Latest Practicable Date, there were no trispecific PD-1/CTLA-4/VEGF antibody approved globally and only two tri-specific PD-1/CTLA-4/VEGF antibodies in phase 1 clinical stage.

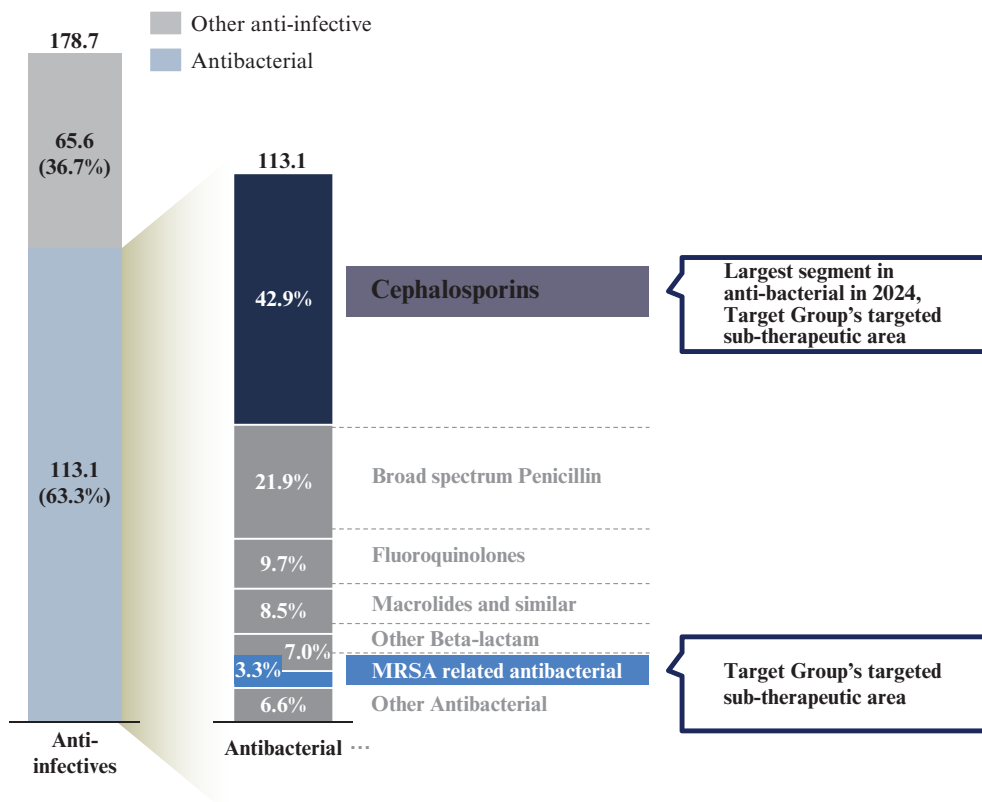
ANTI-INFECTIVE DRUG MARKET

Anti-infectives was the third largest therapeutic area in China in 2024. The market size of anti-infective drugs in China amounted to RMB178.7 billion in 2024, accounting for 10.5% of the entire pharmaceutical market in China. Anti-infectives has a very large patient base in China. For example, there were more than 2.6 billion annual incidences of respiratory infections and 24.2 million annual incidences of urinary tract infections in China in 2024.

INDUSTRY OVERVIEW

The following diagram illustrates the market size of China's anti-infectives market in 2024 by segment:

Market size in China, RMB in billion, 2024



Source: Frost & Sullivan Analysis

Anti-bacterial drugs are the largest category of anti-infective drugs in China, the market size of which amounted to RMB113.3 billion, accounting for 63.3% in China's anti-infective drug market in 2024. Cephalosporins are perceived as the most established mechanism of action in the anti-bacterial drug market with the biggest market share of approximately 42.9% in terms of sales in China in 2024.

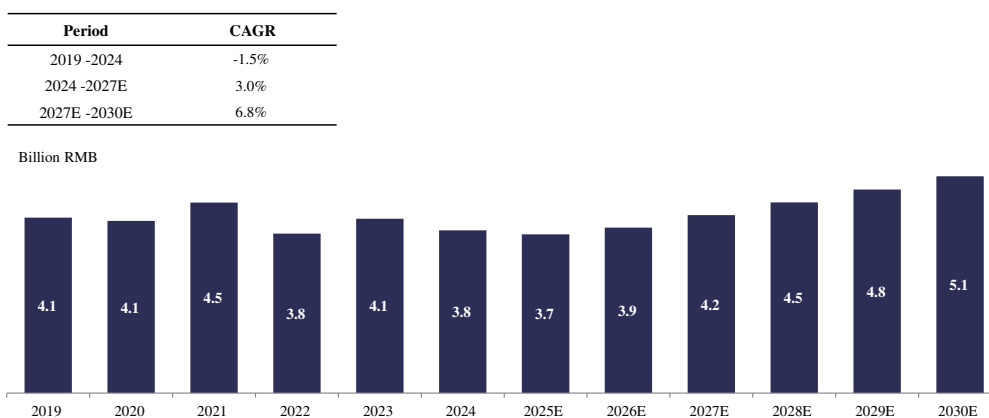
INDUSTRY OVERVIEW

Anti-MRSA Drug Market

Methicillin-resistant *Staphylococcus aureus* (“**MRSA**”) infections are caused by a type of gram-positive bacteria that have become resistant to many of the anti-bacterial drugs used to treat ordinary staph infections, as a result of decades of overuse and misuse of anti-bacterial drugs in China. There were more than 4 million incidences of MRSA infections in China in 2024. Most cases of MRSA infections in China occurred in hospitalized patients, and these cases typically are associated with invasive procedures. MRSA infections have a high prevalence around the globe, and is difficult to treat and can lead to serious consequences. For example, MRSA pneumonia patients generally have increased mortality rates, extended hospitalization, and higher healthcare expenses compared to non-MRSA pneumonia patients.

Driven by increases in hospitalization and diagnosis for MRSA infections, the anti-MRSA drug market in China reduced from RMB4.1 billion in 2019 to RMB3.8 billion in 2024 at a CAGR of -1.5%, due to the inclusion of Linezolid injection in the VBP Scheme, and is expected to increase to RMB4.2 billion in 2027 at a CAGR of 3.0% from 2024 and RMB5.1 billion in 2030 at a CAGR of 6.8% from 2027. In 2024, the market share of anti-MRSA drugs accounted for 3.3% of the overall anti-bacterial drug market in China. The chart below illustrates the historical and estimated size of China’s anti-MRSA drug market:

China Anti-MRSA Drug Market, 2019-2030E



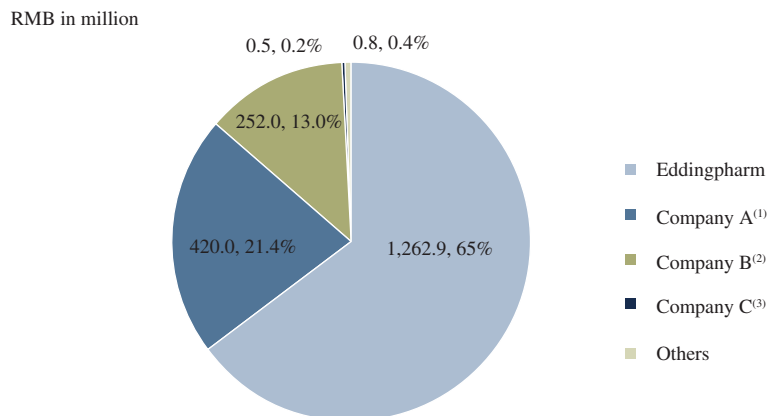
Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

The anti-MRSA drug market is specialized and has only a few available major therapies in China, including vancomycin, linezolid and teicoplanin. Other options also include norvancomycin, daptomycin, omadacycline, contezolid, among others. Among them, vancomycin is the only first-line drug for the treatment of MRSA infections in the NRDL. Vancomycin has nearly 100% susceptibility to MRSA and it is reported to have very rare resistance among MRSA patients, showing its strong anti-bacterial efficacy. Vancomycin has also been recommended by a number of clinical practice guidelines for the treatment of MRSA infections both in China and globally. Among the anti-MRSA drugs, vancomycin holds the largest market share, 44.3%, in terms of revenue in 2024.

The vancomycin drug market in China has grown from RMB1.2 billion in 2019 to RMB1.9 billion in 2024 at a CAGR of 9.6%, and is expected to increase to RMB2.0 billion in 2027 at a CAGR of 1.1% from 2024 and RMB2.1 billion in 2030 at a CAGR of 1.6% from 2027. As of the Latest Practicable Date, there were 11 approved drugs and six candidates undergoing clinical trials in the China vancomycin drug market. Vancocin had a market leadership with a 65% market share in the vancomycin drug market in terms of sales revenue in China in 2024. The following chart illustrates the market share of major players in the vancomycin drug market by sales revenue in China in 2024:

Competitive Landscape of Vancomycin Drug Market by Sales Revenue in China, 2024



Notes:

- (1) Company A, based in Zhejiang Province, PRC, is primarily engaged in the research, development, manufacturing, and distribution of pharmaceutical products.
- (2) Company B, based in Zhejiang Province, PRC, is primarily engaged in research, production, marketing as well as development of drug substances.
- (3) Company C, based in Taiwan Province, PRC, is a bulk manufacturing plant for antibiotic injectables.

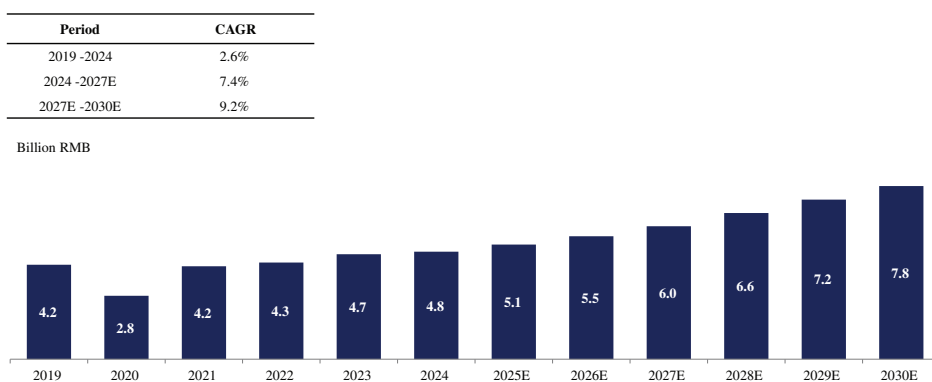
Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

Pediatric Anti-bacterial Drug Market

China's pediatric anti-bacterial drug market size increased from RMB4.2 billion in 2019 to RMB4.8 billion in 2024 at a CAGR of 2.6%, and is expected to further increase to RMB5.5 billion in 2027 at a CAGR of 7.4% from 2024 and RMB7.8 billion in 2030 at a CAGR of 9.2% from 2027. The size of pediatric anti-bacterial drug market decreased temporarily from RMB4.2 billion in 2019 to RMB2.8 billion in 2020, before rebounding to RMB4.2 billion in 2021 and growing steadily thereafter. The decline in market size from 2019 to 2020 can be attributed partially to the expansion of the VBP Scheme, as well as to governmental policies aimed at limiting the use of anti-bacterial drugs in clinical settings. The chart below illustrates the historical and estimated size of China's pediatric anti-bacterial drug market:

China Pediatric Anti-bacterial Drug Market Size, 2019-2030E



Source: Frost & Sullivan Analysis

Commonly used pediatric anti-bacterial drugs include cefaclor, azithromycin, amoxicillin, cefixime, cefprozil, cefuroxime, cefpodoxime, and others. Among these, the most frequently utilised pediatric anti-bacterial drugs are amoxicillin, azithromycin, cefixime, and cefaclor, collectively accounting for approximately 80% of the pediatric anti-bacterial drug market in terms of revenue in 2024, respectively.

Cefaclor has proven safety and efficacy profiles. On the safety profile side, for example, Cefaclor has lower incidence rates for gastrointestinal and cardiac side effects than azithromycin. Additionally, cefaclor has a proven efficacy profile with high adsorption rate, short time to peak serum concentration and high sensitivity to, and low resistance for, the bacterium that is responsible for majority of community-acquired pneumonia. Cefaclor captured a significant share of 19.0% in China's pediatric anti-bacterial drug market in terms of 2024 sales revenue in China.

Cefaclor, as a leading oral cephalosporin molecule, has been recommended for the treatment of respiratory infections in patients by the number of clinical practice guidelines both in China and globally. It can also be used as an anti-bacterial drug for adults, which captured over 4.3% market share within the cephalosporins market in China in 2024.

INDUSTRY OVERVIEW

Ceclor, the leading and originator-branded cefaclor, has three dosage forms, including suspension, capsules and sustained release tablets. In particular, Ceclor Sachet, i.e. suspension, has an established market leadership in the sachet specification within the cefaclor class with a market share of approximately 75.0%. In China, Ceclor Sachet and Ceclor Capsules are included in the VBP scheme. However, their sales have remained robust, particularly in the out-of-hospital retail sales channel, which is not subject to the VBP scheme. Retail sales of Ceclor Sachet, Ceclor Capsules and Ceclor Sustained Release Tablets demonstrated an overall increase in recent years. Ceclor Sachet held a dominant and growing market share of 79% in retail channel sales of cefaclor in China in 2024.

Ceclor is an earlier-generation cephalosporin antibiotic that has encountered intensified price competition from numerous generic alternatives under China's centralised procurement system, leading to more significant price reductions and increasing sales pressure. Although COVID-19 is a viral infection, certain patients – particularly those with severe illness – were susceptible to secondary bacterial or fungal infections. In clinical practice, physicians often administer antibacterial agents pre-emptively to prevent or manage such potential infections, resulting in increased overall usage. During the pandemic, obtaining respiratory specimens from patients was challenging, and laboratory testing capacity was constrained, which hindered the timely identification of pathogens. To avoid delays in treatment, physicians frequently resorted to the empirical use of broad-spectrum antibiotics rather than pathogen-directed therapy, contributing to inappropriate antibacterial use. Moreover, in the hospital setting, heightened attention was directed to healthcare-associated infections (HAIs), as the risk of bacterial or fungal infections associated with HAIs rises with prolonged hospital stays and the use of broad-spectrum antibacterial agents.

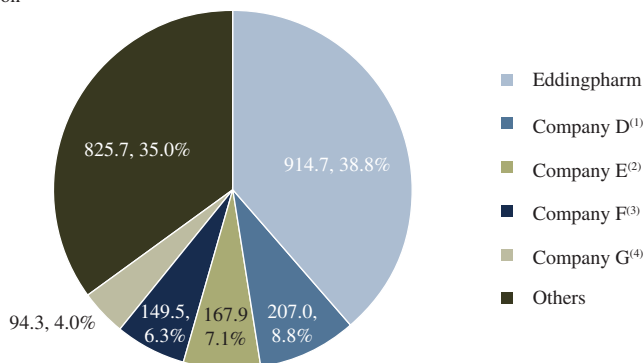
In China, clinical demand for antibacterial drugs remains substantial, underpinned by demographic and structural drivers including an aging population, a rising prevalence of chronic diseases, and the expansion of primary healthcare services. While the market has experienced short-term fluctuations due to centralised procurement and the normalization of antibacterial usage following the pandemic, the overall market size for antibacterial drugs is expected to gradually return to a trajectory of moderate growth over the medium to long term.

The cefaclor drug market in China has grown from RMB1.7 billion in 2019 to RMB2.4 billion in 2024 at a CAGR of 7.1%, and is expected to increase to RMB2.6 billion in 2027 at a CAGR of 2.3% from 2024 and RMB2.7 billion in 2030 at a CAGR of 1.0% from 2027. As of the Latest Practicable Date, there were 131 approved drugs and six candidates undergoing clinical trials in the China cefaclor drug market. The following chart illustrates the market shares of major players in the cefaclor drug market by sales revenue in China in 2024:

INDUSTRY OVERVIEW

Competitive Landscape of Cefaclor Drug Market by Sales Revenue in China, 2024

RMB in million



Notes:

- (1) Company D, based in Zhejiang Province, PRC, is primarily engaged in research and development, production and sales of pharmaceutical products.
- (2) Company E, based in Shanghai, PRC, is principally engaged in the research and development, production and sales of pharmaceutical products.
- (3) Company F, based in Jiangsu Province, PRC, is a cross-regional pharmaceutical company focused on research and development, production and sales of pharmaceutical products.
- (4) Company G, based in Guangdong Province, PRC, is primarily focused on research and development, production and sales of pharmaceutical products.

Source: Frost & Sullivan Analysis

RESPIRATORY SYSTEM DRUG MARKET

Respiratory diseases represent a significant global health burden, affecting millions of people worldwide across all age groups and demographics. Asthma and chronic obstructive pulmonary disease (“**COPD**”) are two major types of respiratory diseases. Asthma is a chronic inflammatory condition of the airways in the lungs, characterized by recurring episodes of wheezing, breathlessness, chest tightness, and coughing. COPD is a progressive lung disease characterized by persistent breathing difficulties and reduced airflow, primarily caused by exposure to harmful pollutants like cigarette smoke.

Both asthma and COPD have high prevalence in China and have been significantly underdiagnosed and undertreated. The total number of asthma patients in China was 72.9 million in 2024, including 58.9 million adult and 14.1 million pediatric asthma patients. In the same year, there were approximately 112.5 million COPD patients in China. More than 70% of asthma patients in China have not been diagnosed, and the control rate in China was less than 30% in 2024, significantly lower than the diagnosis rate of around 50% in the U.S. Similarly, less than 30% of COPD patients in China have been diagnosed in 2024. The control rate of COPD in China was only 20.2% in 2024, as compared to that of 58.3% in the United States. The Healthy China 2030 plan recommends annual lung function tests for populations over 40 years old and those with chronic respiratory disease, with a target to significantly

INDUSTRY OVERVIEW

increase diagnosis and treatment rates and lower mortality rate for asthma and COPD. Specifically, it targets to increase the diagnosis rate of COPD from 10% in 2015 to 30% by 2030 and lower the mortality rate of COPD from 0.1‰ in 2015 to 0.08‰ by 2030.

Inhalation drugs are the gold standard for the treatment of asthma and COPD. Advantages of inhalation drugs including rapid onset of action, superior efficacy and safety profiles and minor side effects over traditional therapies. Inhalation drugs are drug and device combinations. The most common classes of drug APIs used in inhalation drugs include corticosteroids, beta-agonists, and muscarinic antagonists. There are three major types of inhalation drugs based on the type of inhaler device, including nebulizers, dry powder inhalers (“DPI”) and metered dose inhalers (“MDI”).

Treatment Paradigm

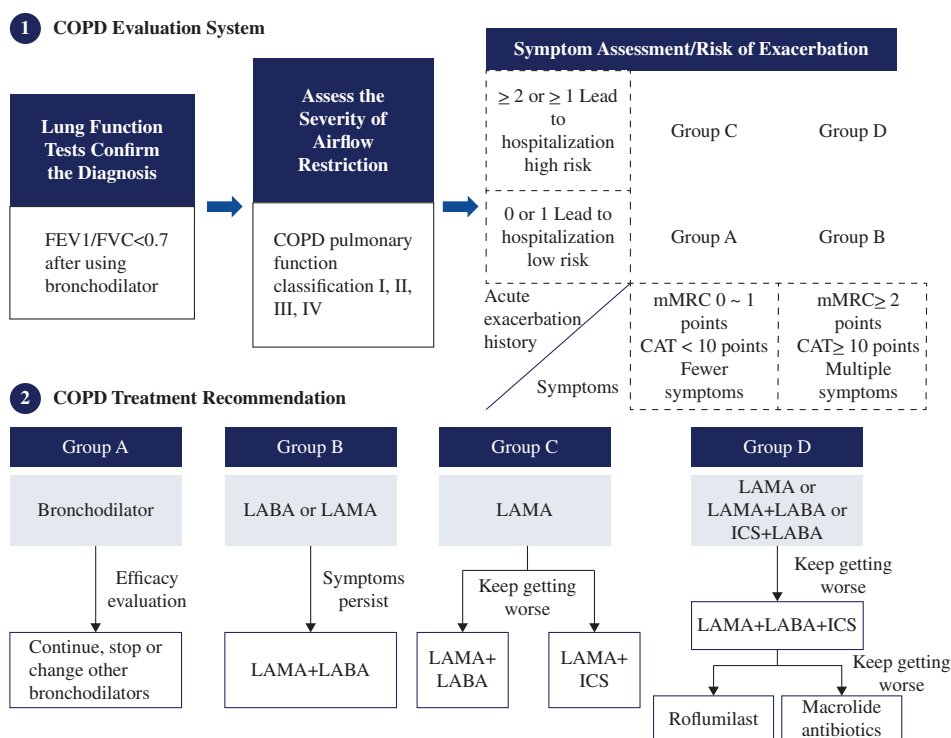
Asthma. Generally, there are two kinds of asthma medications. Maintenance medications, including inhaled corticosteroids (“ICS”), or ICS and long-acting beta agonist (“LABA”) combinations, are used daily long-term, and reliever medications, including bronchodilators, short-acting beta agonist SABA and ICS/formoterol, are used in acute asthma attacks. The following chart illustrates the treatment paradigm for asthma patients in China.

Therapeutic regimen	Level 1	Level 2	Level 3	Level 4	Level 5
Recommended choice of control drugs	ICS (Use on demand)	Low dose ICS or ICS + Formoterol	Low dose ICS/LABA	Medium dose ICS/LABA	Targeted biologics, such as anti-IgE mAb, anti-IL-5 mAb
Other choice of control drugs	SABA + Low dose ICS (Use on demand)	LTRA + Low dose Theophylline	Medium dose ICS or Low dose ICS + LTRA	High dose ICS/LAMA or High dose ICS + LTRA	High dose ICS/LAMA or High dose ICS + LTRA
Palliative drug	ICS + Formoterol (Use on demand) or SABA (Use on demand)	ICS + Formoterol (Use on demand) or SABA (Use on demand)	ICS + Formoterol (Use on demand) or SABA (Use on demand)	ICS + Formoterol (Use on demand) or SABA (Use on demand)	ICS + Formoterol (Use on demand) or SABA (Use on demand)

Source: Literature review, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

COPD. Bronchodilators (e.g., SABAs), which work by changing the tension of airway smooth muscles, are used for symptomatic relief in patients with mild symptoms. For patients with moderate to very severe COPD, ICS combined with LABA can improve lung function and health and reduce acute exacerbations more effectively than a single agent. The following chart illustrates the treatment paradigm for COPD patients in China.



Source: Literature review, Frost & Sullivan Analysis

ICS Nebulizer Market

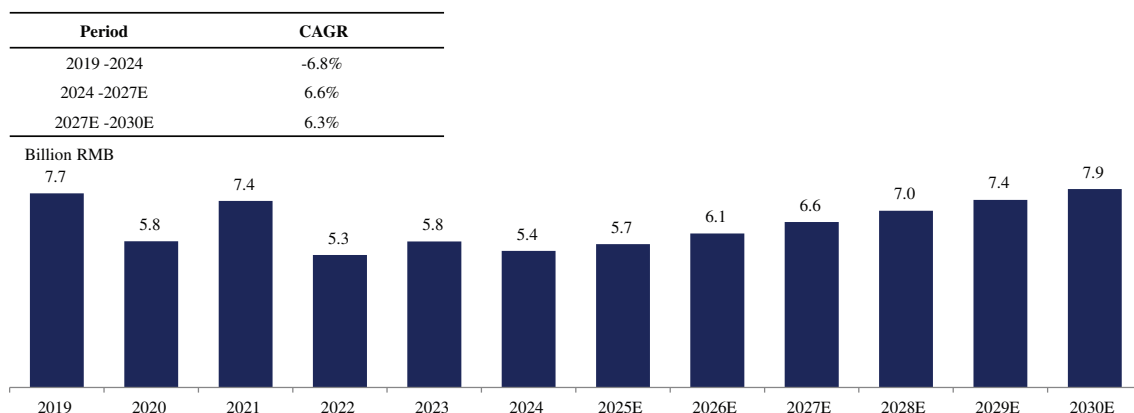
Inhaled corticosteroids nebulizers are the foundational treatment recommended by numerous clinical guidelines for the treatment of asthma and COPD. They have been shown to improve symptoms, reduce exacerbations, and enhance quality of life in patients with these respiratory conditions. Nebulizers are a particularly effective inhalation formulation for patients who have difficulty using MDIs or DPIs. In this method, the ICS is dissolved or suspended in a liquid, which is then converted into a fine mist using a nebulizer device. With no special technique needed to use a nebulizer, ICS nebulizers are particularly useful for young children, elderly patients, or those with severe asthma or COPD who may have difficulty coordinating the use of MDIs or DPIs.

INDUSTRY OVERVIEW

There are three types of ICS nebulizers approved in China, namely, fluticasone propionate nebulizers (“FPN”), budesonide nebulizers and beclomethasone dipropionate nebulizers. Budesonide and beclomethasone dipropionate were approved in China in 2001 and 2013, respectively. FPN is the latest-generation ICS approved in China in 2017. Given the vast population of asthma and COPD patients in China and their roles as foundational treatments, these three types of ICS nebulizers have experienced significant demand and increased sales volume over the years. Sales volume of budesonide nebulizer suspension continued to rise by 52% from 2022 to 2024, as patients developed habitual use of ICS nebulizers.

The following chart sets forth the size of the ICS nebulizer drug market in China for the years indicated:

China ICS Nebulizer Drug Market, 2019-2030E



Source: Frost & Sullivan Analysis

China’s ICS nebulizer drug market fluctuated between 2019 and 2022. In 2020, the market decreased temporarily due to the pandemic, and in 2022, experienced fluctuations due to the VBP scheme. In 2021, budesonide nebulizer suspension was included in the VBP scheme, resulting in a price decrease of the product that led to a temporary decline in market size by sales revenue in 2022. However, ICS nebulizers continued to have strong market demand and sales volume to meet the needs of asthma and COPD patients, which has and will drive the subsequent growth of the ICS nebulizer drug market in China from 2024 and onwards. FPN captured a 6.9% market share in the ICS nebulizer drug market in China in 2024.

INDUSTRY OVERVIEW

Competitive Landscape

The following table illustrates the marketed products for ICS nebulizers in China as of the Latest Practicable Date.

Generic Name	Originator Brand	MAH for Originator Brand	Manufacturer for Marketed Generics
Budesonide nebulizer	Pulmicort Respules	AstraZeneca	Nine
Beclomethasone nebulizer	Clenil	Chiesi	Five
FPN	Flixotide	The Target Group	Two

Source: NMPA, Frost & Sullivan Analysis

The molecular structure of FPN is unique, with stronger lipophilicity and receptor affinity, thus less hormonal dosage can achieve the same anti-inflammatory effect as other ICS drugs, such as budesonide (“**BUD**”) and beclomethasone nebulizer (“**BDP**”). A meta-analysis published in May 2022 in Pediatric Research showed that forced expiratory volume in one second (FEV1), for FPN increased 18.8% (16.4%, 20.0%) and 18.8% (17.1%, 20.3%) from baseline at 8 weeks and 12 weeks, respectively, while that for BUD increased 12.7% (11.2%, 14.7%) and 13.9% (12.7%, 15.4%) from baseline. This demonstrated that the efficacy of FPN was better than that of BUD. The percentage of symptom-free days in 1 to 12 weeks for FPN (81.9%) was higher than that of BDP (50.5%), showing that the efficacy of FPN was better than that of BDP.

The table below sets forth a summary of the approved FPN suspension in China as of the Latest Practicable Date.

Fluticasone Propionate Nebulizer Suspension Approved by NMPA

Generic Name	Brand Name	Company	Indications	Time of Approval
Fluticasone	/	The Target Group (licensing in from GlaxoSmithKline Australia Pty Ltd)	Indicated for the treatment of acute exacerbation of asthma in children aged 4 to 16 years	2017.9
Fluticasone	/	The Target Group	Indicated for the treatment of acute exacerbation of asthma in children aged 4 to 16 years	2024.1
Fluticasone	/	Chenpon Pharmaceutical	Indicated for the treatment of acute exacerbation of asthma in children aged 4 to 16 years	2024.6
Fluticasone	/	Joincare Pharmaceutical	Indicated for the treatment of acute exacerbation of asthma in children aged 4 to 16 years	2024.5

Source: NMPA, Frost & Sullivan Analysis

As of the Latest Practicable Date, there were no drug candidates undergoing clinical trials in the China FPN market.

CARDIOVASCULAR DISEASE DRUG MARKET

CVD is one of the most prevalent diseases and the fourth largest therapeutic area in China in 2024. In 2024, there were approximately 330 million CVD patients in China, including more than 13.0 million cerebral stroke patients and more than 11.4 million coronary heart disease patients. CV deaths, strokes and heart attacks represent the leading causes of death and disability in China. More than 5.2 million patients died due to CVD in China in 2024, translating into a higher mortality rate of 3.65‰ compared to the mortality rate of around 2.04‰ for cancer in China and the mortality rate of 2.17‰ for CVD in the U.S. With the ageing population in China, CVDs are expected to become more prevalent and pose a growing healthcare burden in the years to come.

Treatment Paradigm

Reducing CV events or lowering CV risks is the ultimate goal and unmet need in CVD management. Statin therapy, which primarily works through lowering low-density lipoprotein cholesterol (“**LDL-C**”) levels, is the current mainstay for CV risk reduction. However, statin therapy may only reduce the risk of major CV events by approximately 25% to 35%, leaving significant persistent CV risk of approximately 65% to 75%. Other traditional LDL-C lowering therapies such as cholesterol absorption inhibitors and PCSK-9 inhibitors can be used in conjunction with statin therapy. However, many patients remain with significant residual CV risk, as their effects on lowering elevated triglyceride (“**TG**”) is less marked.

Emerging evidence suggests that TG level is one of the important components of the residual cardiovascular (“**CV**”) risks. It is also one of the most common dyslipidemia phenotypes in Chinese population, with approximately 246.5 million patients with elevated TG levels (≥ 150 mg/dL) in 2024. Fibrates, niacin and omega-3 fatty acid ethyl esters are the three major classes of therapeutics for lowering TG levels. However, in CV outcomes trials, extended-release niacin and fibrates did not meet their primary endpoints to reduce CV risk when taken together with prevailing therapies, including statins. Omega-3 fatty acid ethyl esters have emerged as a promising therapeutic class, especially Vascepa which has been clinically proven to lower CV risk.

Omega-3 Fatty Acid Ethyl Esters

Omega-3 fatty acid ethyl esters can be generally classified into alpha-linolenic acid (“**ALA**”), eicosapentaenoic acid (“**EPA**”), and docosahexaenoic acid (“**DHA**”). ALA is the precursor in the human body for forming EPA and DHA. DHA and EPA are naturally found in marine animals. However, TG-lowering drugs that have DHA, such as Lovaza and Epanova, have been shown to increase LDL-C levels. More importantly, the effects of Lovaza and Epanova on reducing CV events have not been determined.

INDUSTRY OVERVIEW

Vascepa (icosapent ethyl) is a highly purified form of EPA, and is the only TG-lowering drug approved by FDA (in 2019) and NMPA (in 2024) for cardiovascular risk reduction (“**CRR**”) as an adjunctive therapy to statin therapy to reduce the risk of CV events among adults with elevated TG levels (>150 mg/dL) of established CVD or diabetes mellitus with 2 or more additional risk factors. The REDUCE-IT trial, which evaluated Vascepa in patients with elevated triglycerides and high CV risk, demonstrated a significant 25% relative risk reduction (“**RRR**”) in major adverse CV events compared to placebo. This robust reduction in CV risk was observed on top of statin therapy and was driven by reductions in CV death, non-fatal myocardial infarction, and non-fatal stroke. This provides a unique and powerful weapon for clinical physicians to tackle CV residual risks, especially for extreme high risk and very high risk patients.

Vascepa has been recommended by clinical guidelines of the American Diabetes Association, the National Lipid Association, the European Society of Cardiology, and the European Atherosclerosis Society, highlighting the recognition of Vascepa as an important adjunct to statin therapy for CRR in high-risk patients with elevated triglycerides. In 2024, there were approximately 49.5 million statin-treated adult patients in China with elevated TG levels (>150 mg/dL) and either established CVD or diabetes mellitus and two or more additional risk factors for CVD.

Prior to the approval of Vascepa for CRR in China, it was also approved in May 2023 by the NMPA for the treatment of severe HTG levels (>500 mg/dL). In 2024, among 245.0 million adult HTG patients in China, there were approximately 12.4 million people who had severe HTG levels.

The icosapent ethyl drug market in China has grown from RMB16.6 million in 2022 to RMB88.2 million in 2024 at a CAGR of 130.5%, and is expected to increase to RMB529.2 million in 2027 at a CAGR of 81.7% from 2024 and RMB836.7 million in 2030 at a CAGR of 14.8% from 2027. Vascepa captured a 87.9% market share in the icosapent ethyl drug market in China in 2024.

INDUSTRY OVERVIEW

Competitive Landscape

The table below sets forth a summary of the approved icosapent ethyl drugs in China as of the Latest Practicable Date.

Generic Name	Brand Name	Company	Indication	Time of Approval
Icosapent ethyl	Vascepa	The Target Group	Severe HTG	2023.5
		The Target Group	CRR	2024.6
Icosapent ethyl	/	Chengdu Shengdi Pharmaceutical	Severe HTG	2025.9
Icosapent ethyl	/	Humanwell PuraCap Pharmaceuticals	Severe HTG	2025.8
Icosapent ethyl	/	Zhejiang ChengYi	Severe HTG	2025.8
Icosapent ethyl	/	Yangzijiang Pharmaceutical	Severe HTG	2025.7
Icosapent ethyl	/	Sichuan Kelun	Severe HTG	2025.7
Icosapent ethyl	/	Qilu	Severe HTG	2025.6
Icosapent ethyl	/	Shandong Xinhua Pharmaceutical	Severe HTG	2025.5
Icosapent ethyl	Liruxin (立瑞欣)	Gowell Pharma	Severe HTG	2023.1

Source: NMPA, Frost & Sullivan Analysis

As of the Latest Practicable Date, there were no candidates undergoing clinical trials in the China icosapent ethyl drug market.

OTHER THERAPEUTIC AREAS

Thrombocytopenia (“TCP”) Treatment Market

TCP is characterized by abnormally low platelet count in blood, occurring in a variety of conditions, including chronic liver disease (“CLD”) and chemotherapy. The size of China’s TCP treatment market increased from RMB4.4 billion in 2019 to RMB8.5 billion in 2024 at a CAGR of 14.2%, and is expected to increase to RMB14.8 billion in 2027 at a CAGR of 20.1% from 2024 and to RMB23.3 billion in 2030 at a CAGR of 16.4% from 2027, primarily driven by continued research and development of innovative therapies and the increasing awareness and expanding access to drug treatment.

The primary drug therapies to treat TCP include TPO-RA, interleukin-11 (“IL-11”) and recombinant human thrombopoietin (“rhTPO”) drugs. TPO-RA stands out due to its strong attributes of safety, efficacy, and convenience. TPO-RA has demonstrated a superior safety profile compared to IL-11 and rhTPO drugs, exhibiting fewer drug-drug interactions and AEs. In addition, patients generally exhibit a higher response rate to TPO-RA drugs compared to rhTPO. Unlike rhTPO, TPO-RA does not compete with endogenous TPO, or induce anti-platelet antibodies and can achieve a stable and predictable increase in platelet count. Moreover, TPO-RA drugs can be orally administered, providing greater convenience for patients compared to IL-11 and rhTPO products, which are only available for intravenous administration.

INDUSTRY OVERVIEW

TPO-RA Drug Market

TPO is a type of protein in human body that helps in the growth and development of certain cells involved in blood production. It specifically plays a role in the growth of cells responsible for producing platelets. TPO-RAs are medications that can bind to the TPO receptor, causing changes in its structure. This activation of the TPO receptor triggers a pathway which ultimately results in more platelet production. In addition to its effects on platelets, TPO also stimulates the growth of other types of blood cells.

The sales of TPO-RA drugs in China began in 2018, following the approval of first TPO-RA drug in December 2017. The size of the TPO-RA market in China increased from RMB0.2 billion in 2019 to RMB4.1 billion in 2024 at a CAGR of 84.5%, and is expected to increase to RMB7.8 billion in 2027 at a CAGR of 24.0% from 2024 and to RMB11.8 billion in 2030 at a CAGR of 12.0% from 2027. Launched in 2023, Mulpleta captured a 0.3% market share in TPO-RA drug market in China in 2024.

There are four classes of TPO-RA drugs that are marketed globally, including romiplostim, lusutrombopag, avatrombopag maleate, and eltrombopag diolamine. In China, an additional class of TPO-RA drug is approved by NMPA, namely hetrombopag olamine. The following table illustrates the competitive landscape of marketed TPO-RA drugs in China:

Generic Name	Brand Name	Company	Indication	Time of Approval
Lusutrombopag	Mulpleta	The Target Group	CLD-associated TCP	2023.6
Romiplostim	Nplate	Kyowa Kirin	Immune thrombocytopenia	2022.1
Hetrombopag olamine	Hengqu (恒曲)	Hengrui Medicine	Primary immune thrombocytopenia and severe aplastic anaemia	2021.6
Avatrombopag maleate	Doptelet	Fosun Pharma ¹	CLD-associated TCP	2020.4
Eltrombopag diolamine	Promacta/Revolade	Novartis	Immune thrombocytopenia and severe aplastic anaemia	2017.12

1. In-licensed from Dova Pharmaceuticals

Source: NMPA, Frost & Sullivan Analysis

As of the Latest Practicable Date, there were no drug candidates undergoing clinical trials in the China TPO-RA drug market.

TCP is the most common hematological abnormality encountered in patients with CLD, occurring in 78% of patients with cirrhosis or fibrosis. The number of CLD patients with TCP increased from 22.3 million in 2019 to 23.3 million in 2024 at a CAGR of 0.9%, and it is estimated to increase to 23.5 million in 2027 and 23.7 million in 2030. In China, there were only two TPO-RA drugs approved for CLD-associated TCP, Mulpleta and Doptelet.

INDUSTRY OVERVIEW

Mulpleta (lusutrombopag) has been widely approved in the PRC, Japan, the U.S. and the EU for the treatment of CLD-associated TCP, and has sustained customer demand in the markets where it has been approved. Compared to Doptelet, Mulpleta has demonstrated crucial clinical advantages. Due to its differentiated metabolic pathway, Mulpleta is not subject to conventional drug-drug interactions that affect Doptelet. Moreover, it is the only approved oral small-molecule non-peptide TPO-RA that can be taken on an empty stomach or with a meal, primarily resulting from its excellent PK/PD profile.

COST ANALYSIS

Cost Analysis of Major Commercialised Products

During the Track Record Period, the Target Group's Vancocin and FPN (before February 2024, and throughout a subsequent transition period) were produced by overseas CMOs, with production costs influenced by several factors, including raw material prices, and transportation expenses. The Target Group independently manufactures Ceclor and FPN (since February 2024, with a transition period during which imported FPN is also available), with production costs comprising raw material procurement, equipment maintenance and labor, among others.

Cost Analysis of Major Innovative Drugs

During the Track Record Period, as the Target Group's innovative drug pipeline progressed through various stages of research and development, the associated costs were principally recognized as research and development expenses rather than as costs of manufacturing. The level of such research and development expenses was influenced by a multiplicity of factors, most notably the specific stage of development of each drug candidate and the complexity of its corresponding clinical programs. These research and development expenses were comprised of several key components, such as attributable to early-stage research and trial costs for investigational drugs. Further costs were incurred for outsourcing services, encompassing fees paid to contract research organizations (CROs) and contract manufacturing organizations (CMOs) for activities such as preclinical studies, process development, and the management of clinical trials. The expenses also included personnel costs for the Target Group's team of scientists, clinical staff, and regulatory professionals. Other contributing costs included the procurement of drug substances and related consumables for laboratory use, as well as expenses associated with regulatory filings. Overall, the level of costs incurred for the development of innovative drugs during the Track Record Period was commensurate with the advancement of the Target Group's pipeline and consistent with prevailing industry practices.

INDUSTRY OVERVIEW

SOURCE OF INFORMATION

In connection with the New Listing Application, The Target Group has commissioned Frost & Sullivan, an Independent Third Party, to conduct a detailed analysis and to prepare an industry report on the global and PRC pharmaceutical markets. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent from the Target Group's influence. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The Target Group has agreed to pay Frost & Sullivan a fee of RMB380,000 for the preparation of the Frost & Sullivan Report which The Target Group considers is in line with the market rates. Except as otherwise noted, all data and forecasts in this section are derived from the Frost & Sullivan Report. The Target Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information disclosed in this section. Frost & Sullivan prepared its report based on its in-house database, Independent Third Party reports and publicly available data from reputable industry organizations. To prepare the Frost & Sullivan Report, Frost & Sullivan also conducted analysis on projected figures based on historical data, macroeconomic data and specific industry related drivers, and reviewed annual reports of listed companies in the global and PRC pharmaceutical markets. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry; (ii) the PRC healthcare market will grow as expected due to rising healthcare demand and supply; and (iii) the PRC government will continue to support healthcare reform.

REGULATIONS

OVERVIEW OF PRC REGULATIONS

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

Drug Regulatory Regime

The drug industry in the PRC is mainly administered by three governmental agencies: the National Medical Products Administration (國家藥品監督管理局), a department under the State Administration for Market Regulation (國家市場監督管理總局) (“SAMR”), the National Health Commission (國家衛生健康委員會) and the National Healthcare Security Administration (國家醫療保障局).

The National Medical Products Administration, or the NMPA, which inherits the drug supervision function from its predecessor China Food and Drug Administration, or the CFDA, is the primary drug regulator responsible for almost all of the key stages of the life-cycle of pharmaceutical products, including non-clinical researches, clinical trials, marketing approvals, manufacturing, advertising and promotion, distribution and pharmacovigilance.

The National Health Commission, or the NHC, formerly known as the National Health and Family Planning Commission, is China’s chief healthcare regulator. It is primarily responsible for drafting national healthcare policies and regulating public health, medical services and health contingency system, coordinating the healthcare reform and overseeing the operation of medical institutions and practicing of medical personnel.

The National Healthcare Security Administration, a new authority established in May 2018, is responsible for (1) drafting and implementing policies, plans and standards on medical insurance, maternity insurance and medical assistance; (2) administering healthcare fund; (3) formulating a uniform medical insurance catalogue and payment standards on drugs, medical disposables and healthcare services; and (4) formulating and administering the bidding and tendering policies for drugs and medical disposables.

Pharmaceutical Law Framework

The Drug Administration Law of PRC (《中華人民共和國藥品管理法》) (“**Drug Administration Law**”) promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (“SCNPC”) on 20 September 1984 and last amended with effect from 1 December 2019, laid down the legal framework for the administration of drugs, including the research, development and manufacturing. The Drug Administration Law applies to the development, production, trade, application, supervision and administration of drugs. It regulates and prescribes a framework for the administration of drug manufacturers, drug trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of biological products. The Implementing Regulations of the PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》) (“**Implementing Regulations of the Drug**

REGULATIONS

Administration Law”) promulgated by the State Council effective on 15 September 2002 and last amended with effect from 20 January 2025, serves to provide detailed implementation regulations for the Drug Administration Law.

The newly revised Drug Administration Law, which took effect on 1 December 2019, has brought a series of good changes to the drug supervision and administration system, including but not limited to further establishing the marketing authorisation holder system, stipulating what kind of drugs shall be encouraged, changing the clinical trial approval to implied license and prescribing a preferential examination and approval system for certain drugs.

Regulations in Relation to the Registration of New Drugs

Non-Clinical Research

The non-clinical safety evaluation study for drugs for the purpose of applying for drug registration shall be conducted in accordance with the Administrative Measures for Good Laboratories Practice (《藥物非臨床研究質量管理規範》), which was promulgated in August 2003 and amended in July 2017 by the CFDA. In April 2007, the CFDA issued the Circular on Measures for Certification of Good Laboratory Practice (《藥物非臨床研究質量管理規範認證管理辦法》), which sets forth the requirements for an institution to apply for a Good Laboratories Practice (“GLP”) certificate to undertake drug non-clinical research. On 19 January 2023, the NMPA released the further revised Circular on Measures for Certification of Good Laboratory Practice, which became effective on 1 July 2023.

Clinical Trial Application

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), which was issued by SAMR on 22 January 2020 and took effect on 1 July 2020 (“**Circular 27**”), the applicant must obtain the approval from the NMPA to conduct new drug clinical trials.

The Announcement on the Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》), issued by the CFDA on 6 September 2013, provides that, in addition to the aforementioned registration with the NMPA, all clinical trials approved by the NMPA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of the investigational new drug application (“IND”) in order to obtain the trial’s unique registration number and complete registration of certain follow-up information before the first subject’s enrolment in the trial. If the registration is not completed within one year after the approval of the IND, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the IND shall automatically expire. According to the Decision on Adjusting the Approval Procedures of the Administrative Approval Matters for Certain Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) which was issued by the CFDA on 17 March 2017 and took effect on 1 May 2017, the NMPA’s decision on the approval of clinical trials is delegated

REGULATIONS

to the Centre for Drug Evaluation in the name of the NMPA, or the CDE. In terms of IND approval procedure, according to the Announcement on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) which was issued by the NMPA and took effect on July 2018, if the applicant does not receive any negative or questioning opinions from the CDE within 60 days after the application is accepted, the applicant can carry out the clinical trials in accordance with the submitted trial protocol.

Conduct of Clinical Trial

According to Circular 27, a typical clinical trial consists of Phases I, II, III and IV. Phase I refers to the initial clinical pharmacology and safety evaluation studies in humans. Phase II refers to the preliminary evaluation of a drug candidate's therapeutic effectiveness and safety for particular indications in patients, to provide evidence and support for the design of Phase III clinical trials and to settle the administrative dose regimen. Phase III refers clinical trials undertaken to confirm the therapeutic effectiveness and safety on patients with target indications, to evaluate the overall benefit- risk relationships of the drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug's post-marketing study to assess therapeutic effectiveness and adverse reactions when the drug is widely used, to evaluate the overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose.

According to the Circular 27, clinical trials must be conducted at a qualified clinical trial institution as filed in the Management Platform for filing Information of Drug Clinical Trial Institutions (藥物臨床試驗機構備案管理信息平台) according to Administrative Measures of Qualification of Institutions for Drug Clinical Trials (《藥物臨床試驗機構管理規定》), which took effect on 1 December 2019, and in compliance with the requirements pursuant to the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), which took effect on 1 July 2020.

New Drug Application (“NDA”)

Under Circular 27, drug registration is regulated according to the classifications into the categories of Chinese medicine, chemical medicine and biological products, amongst which the registration of chemical drugs shall be classified by innovative chemical drugs, new modified chemical drugs, and generic drugs, among others. In accordance with the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》, the “**Reform Plan**”) issued in March 2016, which outlined the classifications of chemical drug applications as follows: (1) Drugs of Category 1 refer to innovative drugs that have not been marketed anywhere in the world; (2) Drugs of Category 2 refer to improved new drugs that are not marketed anywhere in the world; (3) Drugs of Category 3 refer to generic drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China; (4) Drugs of Category 4 refer to generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China; (5) Drugs of Category 5

REGULATIONS

refer to drugs which have already been marketed abroad, but are not yet approved in China. In general, drugs of Category 1 and Category 2 should be registered through the domestic NDA pathway, drugs of Category 3 and Category 4 should be registered through the generic drug application pathway, and drugs of Category 5 should be registered through the imported drug application procedures.

Where overseas research materials and data are used in an application to support drug registration, its source, research institutes or laboratory criteria, quality system requirements and other management criteria shall comply with the general principles of the International Conference on Harmonization (國際人用藥品註冊技術協調會) (“ICH”), as well as relevant requirements with regard to the drug registration. The NMPA has established a system to expedite drug registration, and support drug innovation guided by clinical value. Where an application for drug registration satisfies the criteria set forth in the Circular 27 and relevant rules issued by NMPA, the applicant may apply for breakthrough therapy drug, conditional approval, prioritised/special review and approval. Drug registration inspection for overseas-manufactured drug shall be implemented by port pharmaceutical inspection agencies organised by the National Institutes for Food and Drug Control (中國食品藥品檢定研究院, the “NIFDC”), and for application for registration of overseas-manufactured drug, where an applicant applies for drug registration inspection prior to acceptance of the application for drug registration, it shall request for sampling pursuant to the provisions, and deliver the samples, materials required for inspection and standard substances to the NIFDC.

According to the Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》), the “**Special Examination and Approval Provisions**”), which was promulgated and implemented by the CFDA since 7 January 2009, the CFDA applies special examination and approval for new drug registration applications when: (1) the effective constituent of drug extracted from plants, animals, minerals, etc. as well as the preparations thereof have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw material medicines as well as the preparations thereof and the biological product have not been approved for marketing home and abroad; (3) the new drugs are for treating AIDS, malignant tumors and rare diseases, etc., and have obvious advantages in clinic treatment; or (4) the new drugs are for treating diseases with no effective methods of treatment.

The Special Examination and Approval Provisions provide that the applicant may file for special examination and approval at the clinical trial application stage if the drug candidate falls within items (1) or (2). The provisions provide that for drug candidates that fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

REGULATIONS

Prioritised Review and Approval for Registration of Certain Drugs

In November 2015, the CFDA promulgated the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》), which provides that a fast track clinical trial approval or drug registration pathway can be available for the following applications: (1) registration of innovative new drugs treating HIV, cancer, serious infectious diseases and rare diseases; (2) registration of pediatric drugs; (3) registration of geriatric drugs and drugs treating endemic and common diseases in elders; (4) registration of drugs listed in national major science and technology projects or national key research and development plan; (5) registration of clinically urgently needed drugs using advanced technology, using innovative treatment methods, or having distinctive clinical benefits; (6) registration of foreign innovative drugs to be manufactured locally in China; (7) concurrent applications for new drug clinical trials which are already approved in the United States or European Union or concurrent drug registration applications for drugs which have applied to the competent drug approval authorities for marketing authorisation and passed such authorities' onsite inspections in the United States or European Union and are manufactured using the same production line in China; and (8) clinical trial applications for drugs with urgent clinical need and patent expiry within three years, and manufacturing authorisation applications for drugs with urgent clinical need and patent expiry within one year.

On 17 May 2018, the NMPA and NHC jointly promulgated the Circular on Issues Concerning Optimising Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》), which further simplified and accelerated the drug approval process.

On 23 October 2018, the NMPA and NHC jointly issued the Notice regarding Relevant Matters on the Review and Approval of Overseas New Drugs with Urgent Clinical Needs (《關於臨床急需境外新藥審評審批相關事宜的公告》), which provides that a special approval system will be available to the following new drugs with urgent clinical needs that have been marketed in the United States, Europe or Japan within the last decade: (1) drugs for rare diseases; (2) drugs for serious or life-threatening diseases that lack effective treatment or prevention methods; (3) drugs for serious or life-threatening diseases with distinctive treatment advantages. On 1 November 2018, CDE has published the list of first batch of forty drugs entitled to the special approval system. Under the special approval system, the technology review during the drug registration approval process will be completed within three months for drugs for rare diseases, or six months for the other eligible new drugs, provided that there are no race and ethnicity differences.

On 7 July 2020, the NMPA promulgated the Review Procedures for Breakthrough Therapy Designation (for Trial Implementation) (《突破性治療藥物審評工作程序(試行)》), Review and Approval Procedures for Conditional Approval of Drug Marketing Applications (for Trial Implementation) (《藥品附條件批准上市申請審評審批工作程序(試行)》) and Priority Review and Approval Procedures for Drug Marketing Authorisations (for Trial Implementation) (《藥品上市許可優先審評審批工作程序(試行)》) (the “**Three Review Procedures**”). The Opinions on Encouraging the Prioritised Evaluation and Approval for Drug Innovations (《關於鼓勵藥品創新實行優先審評審批的意見》) promulgated in December

REGULATIONS

2017 was repealed at the same time. The Three Review Procedures respectively stipulate the application, review and approval procedures for (i) innovative drugs or modified new drugs that are used for prevention and treatment of diseases that seriously endanger life or seriously affect the quality of life in phases of clinical trials, (ii) drugs satisfying the conditions for granting conditional market authorisation, and (iii) drugs of outstanding clinical value, including: (a) drugs in urgent clinical demand and in shortage, innovative drugs and modified new drugs for prevention and treatment of serious infectious diseases, rare diseases and other diseases; (b) new varieties, dosage forms and specifications of children's drugs that conform to children's physiological characteristics; (c) vaccines and innovative vaccines that are in urgent need for disease prevention and control; (d) drugs that have been included in the procedures for breakthrough therapy designation; (e) drugs that satisfy requirements for conditional approval, and (f) other situations prescribed by the NMPA.

Marketing Authorisation Holder System

According to the Drug Administration Law, whoever obtains a drug registration certificate is a drug marketing authorisation holder. The drug marketing authorisation holders shall assume responsibilities for non-clinical research, clinical trials, production and marketing, post-marketing research, monitoring, reporting and handling of adverse reactions of the drug. The legal representative and principal person in charge of the drug marketing authorisation holders shall be fully responsible for the drug quality. A drug marketing authorisation holder may produce or sell the drug by itself or entrust a qualified third party to produce or sell the drug, subject to statutory requirements. Drug marketing authorisation holders, drug manufacturers, drug distributors and medical institutions shall establish and implement a drug trace system to ensure drug traceability. The marketing authorisation holders shall regularly audit the quality management system of the entrusted drug manufacturers and entrusted distributors, and supervise their sustained abilities for quality assurance and control.

Where a drug marketing authorisation holder is a foreign entity, it shall designate a domestic enterprise in China to perform its obligations of the drug marketing authorisation holder on its behalf and such designated domestic enterprise shall bear joint and several liabilities with the drug marketing authorisation holder. Upon approval by the drug regulatory department under the state council, the drug registration certificate may be transferred. The transferee of the drug registration certificate shall have the ability of quality management, risk prevention and control and liability compensation to ensure the safety and effectiveness of the drug and shall fully fulfil the obligations of drug marketing authorisation holders.

Pharmacovigilance

The Pharmacovigilance Quality Management Rules (《藥物警戒質量管理規範》, the “GVP”), promulgated by NMPA, took effect on 1 December 2021, aiming at establishing a pharmacovigilance (“PV”) system to monitor, identify, evaluate and control adverse reactions or other problems related to drug use. Pursuant to the GVP, the marketing authorisation holders and drug registration applicants are responsible for conducting PV activities for their drug products. Legal representatives and primary responsible persons of the marketing authorisation

REGULATIONS

holders shall take overall responsibility for PV activities and shall establish a drug safety committee, appoint dedicated PV persons and establish the PV system based on the safety profile of their products. PV records shall be retained during the validity term of the relevant marketing authorisation and at least 10 years after the marketing authorisation is deregistered. When the marketing authorisation holder is transferred, the PV records must be fully transferred as well. The GVP also requires marketing authorisation holders to complete information registration in the National Adverse Drug Reaction System within 30 days after obtaining the first marketing authorisation.

On 11 April 2022, the NMPA issued the Notice of Guiding Principles of Pharmacovigilance Inspection (《藥物警戒檢查指導原則》) (the “**Guiding Principles**”), effective on the same date, setting forth that the provincial counterpart of NMPA may formulate detailed inspection plans and inspect the MAH’s pharmacovigilance activities in accordance with the Guiding Principles, with a focus on MAHs with any of the following features, including but not limited to: (i) having a large variety of drugs and sales volume; (ii) MAHs which have not undergone any pharmacovigilance inspections; (iii) having obtained its first marketing authorisation approval in China; (iv) MAHs which are subject to major changes in its pharmacovigilance system or impact on the pharmacovigilance organisational structure as a result of mergers and acquisitions or other organisational structure changes; (v) using contract manufacturers; or (vi) entrusting a third party to carry out pharmacovigilance activities. Subsequently on 24 January 2023, the Jiangsu Medical Products Administration issued the Trial Guidelines for Pharmacovigilance Quality Management Standards for Drug Marketing Authorisation Holders in Jiangsu Province (《江蘇省藥品上市許可持有人藥物警戒質量管理規範實操指南(試行)》), providing for detailed practical guidelines covering all major aspects of the GVP and Guiding Principles.

Approval or Filing of Human Genetic Resources

The Administrative Regulations on Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) (“**HGR Regulations**”), promulgated in May 2019 and amended in March 2024, replacing the Interim Administrative Measures on Human Genetic Resources, stipulate that collection, preservation, utilisation and external provision of China’s human genetic resources shall comply with HGR Regulations and be subject to approval or record-filing with the competent regulatory authority, as applicable, except for collection and preservation of human substances (such as organs, tissues and cells) and carrying out related activities for the purposes of clinical diagnosis and treatment, blood collection and supply services, crime investigation, doping detection and funeral and interment, etc. According to the HGR Regulations, in order to obtain marketing authorisation for drugs and medical devices in China, no approval is required in an international clinical trial collaboration using China’s human genetic resources at clinical institutions without export of human genetic resource materials. However, the type, quantity and usage of the human genetic resource to be used in the collaboration shall be filed with the health department of the State Council before the

REGULATIONS

initiation of such clinical trials. On 26 May 2023, the Ministry of Science and Technology released the Implementation Rules of the Administrative Regulations on Human Genetic Resources (《人類遺傳資源管理條例實施細則》), which became effective on 1 July 2023. The Implementation Rules of the Administrative Regulations on Human Genetic Resources further improve the clarity and the efficiency of the administration of human genetic resources in China.

The Bio-security Law of the PRC (《中華人民共和國生物安全法》), promulgated in October 2020 and amended in April 2024 by the SCNPC, establishes a comprehensive legislative framework on the current regulations in the areas including epidemic control of human, animal and plant infectious diseases, security of biotechnology research, development and application, biosafety management of pathogenic microbiology laboratories, security management of human genetic resources and biological resources, countermeasures against microbial resistance and prevention of bioterrorism and threat of biological weapons. According to the Bio-security Law, the high-risk and medium-risk biotechnology research and development activities shall be carried out by legal entities lawfully established in the PRC, and shall be approved or filed. The establishment of a pathogenic microbiology laboratory shall be lawfully approved or filed. In addition, (i) collecting human genetic resources of important genetic families or specific areas in the PRC, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent department of science and technology under the State Council, (ii) preserving human genetic resources of the PRC, (iii) using human genetic resources of the PRC to carry out international scientific research cooperation, or (iv) transporting, mailing or exiting human genetic resource materials of the PRC, shall be approved by the health department of the State Council.

On 16 March 2023, the State Council released the State Council Notice on Establishment of the Institutions (《國務院關於機構設置的通知》) (“**SC Notice**”), which was promulgated based on the adopted Party and the State Council Institutional Reform Plan 2023 (《黨和國家機構改革方案(2023)》) (“**Reform Plan**”) and become effective on the same date. According to the SC Notice and the Reform Plan, China National Centre for Biotechnology Development (together with its subdivision the China Human Genetic Resources Administration Office), which is affiliated to the Ministry of Science and Technology, is expected to be an affiliated body of NHC.

Implementation of ICH Guidelines

In January 2018, the CFDA announced the Principles on Adopting Secondary Guidelines of the International Conference on Harmonization of Technical Requirements for the Registration of Pharmaceuticals for Human Use (《總局關於適用國際人用藥品註冊技術協調會二級指導原則的公告》) (the “**Principles**”) to promote innovation, international pharmaceutical registration integration and registration acceleration.

REGULATIONS

Registration of Generic Drugs

According to the Circular 27, a generic drug shall be consistent with the quality and efficacy of the reference preparation. The applicants may directly file an application for drug marketing authorisation if the applicants, after assessment, believe it is unnecessary or impossible for the generic drugs to go through clinical trials and the relevant generic drugs meet the conditions for exempting a clinical trial.

According to the Circular on Implementation of Record-filing Management of Bioequivalence Trials of Chemical Drug (《關於化學藥生物等效性試驗實行備案管理的公告》) issued by the CFDA on 1 December 2015, the administration of bioequivalence trials of chemical drugs has been changed from regulatory approval to record-filing. After completion of clinical trials, applicants for registration of generic drugs should submit materials of the respective clinical trials to the CDE. With reference to the technical review opinions, the NMPA will either grant a drug registration number or issue a disapproval notice.

According to Circular 27, applicants proposing to conduct bioequivalence test shall, upon completion of filing formalities for bioequivalence test on the website of the CDE in accordance with the requirements, carry out the relevant research work in accordance with the filed scheme.

Pursuant to the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the General Office of the State Council (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》) promulgated on 6 February 2016 and the Opinions of Relevant Matters Concerning Implementing the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the NMPA (《關於落實〈國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見〉有關事項的公告》) promulgated on 25 May 2016, generic drugs approved for marketing before the implementation of the new registration classification of chemical drugs, including domestic generic drugs, imported generic drugs and the indigenous varieties of the original developed drugs, shall carry out consistency evaluation. In principle, the consistency evaluation should be completed before the end of 2018 for the oral solid preparations of generic chemicals approved for sale before 1 October 2007 listed in the National Essential Drug List (2012 version) (《國家基本藥物目錄》(2012年版)). For any other generic drugs approved for marketing before the implementation of the new classification of registration of chemical drugs, after a drug produced by a pharmaceutical enterprise passes the consistency evaluation, other pharmaceutical enterprises shall complete the consistency evaluation for their identical drugs within three years in principle; no registration will be granted in case of failure to do so as required within the prescribed time limit.

Pursuant to the Circular on Relevant Matters Concerning Consistency Evaluation for Quality and Curative Effect of Generic Drugs (《關於仿製藥質量和療效一致性評價有關事項的公告》) further promulgated by the NMPA on 28 December 2018, the time limit for evaluation of the varieties included in the National Essential Drug List (2018 version) will no longer be set uniformly. For generic drugs, including essential drug varieties, approved for

REGULATIONS

listing before the implementation of new registration and classification of chemical drugs, after the first variety has passed the consistency evaluation, the same variety of other drug manufacturers should complete the consistency evaluation within 3 years in principle. If it is not completed within the time limit, the enterprise may apply to the local provincial drug regulatory authority for an extension of the evaluation if it is deemed to be clinically necessary and in short supply in the market. If the registration is not completed within the prescribed time limit, it shall not be re-registered.

Re-registration and Change of the Registration for Post-Marketing Drugs

Pursuant to the Circular 27, the MAH must apply for the re-registration of drugs to the medical products administrative department of the province or the CDE no later than six months prior to the expiry of the drug registration licenses. After the medical products administrative department or the CDE receives such application, it shall conduct post-marketing evaluation and adverse drug reaction monitoring, review the change of information stated in the drug approval certificates and carry out other relevant works as required under the drug certificates and by the NMPA. If all requirements for the re-registration have been satisfied, a drug re-registration approval notification will be issued. The time limit for examination and approval of drug re-registration shall be 120 days, and an administrative approval decision shall be made within 20 days, subject to extension up to an additional half of the original time limit due to variety characteristics and special circumstances.

Besides, pursuant to the Circular 27 and the Trial Administrative Measures for the Change of the Registration for Post-marketing Drugs (《藥品上市後變更管理辦法(試行)》) which was promulgated by NMPA and became effective on 12 January 2021, within the validity of the drug registration license, if any registration information or management information of the drug changes (including but without limitation the holder of the drug registration certificate, the manufacturing process, the manufacturing site, the manufacturing devices, the API, other ingredients and packing materials of the drug, the content of the drug instruction, and technical specification changes), the MAH must go through certain procedures before they could implement such changes. To be specific, (1) with respect to (i) material changes during the drug manufacturing process; (ii) changes to the contents of the drug instructions concerning the effectiveness and other contents that increase the safety risks; (iii) transfer of market authorisation by the current holder; and (iv) other changes as required to be approved by NMPA, the MAH must submit the supplemental application for approval before implementation of the changes; (2) with respect to (i) medium changes during the drug manufacturing process; (ii) changes to the contents of the drug packaging label; (iii) sub-packaging of drugs; and (iv) other changes as required to be filed with NMPA, the MAH must file such changes for record with before implementation of the changes; and (3) with respect to (i) minor changes during the drug manufacturing process; and (ii) other changes as required to be reported to NMPA, the MAH must record such changes in the annual report of such drugs. The MAH must follow the relevant technical guiding principles to conduct corresponding research, comprehensively evaluate and verify the impact of such changes on the safety, effectiveness, and quality controllability of the drugs, and file supplementary applications and obtain approvals from, make filing with or report to the NMPA accordingly.

REGULATIONS

For the changes in the manufacturing process, the provincial NMPA shall conduct on-site check and technical review according to Circular 27 and the relevant technical guiding principles before they approve the application of MAH.

In addition, pursuant to the Trial Administrative Measures for the Change of the Registration for Post-marketing Drugs, if the technical guiding principles are unclear about a certain change, and the MAH is unable to determine which process is required, based on sufficient research, assessment, and necessary verification, (i) the domestic MAH may communicate with the provincial drug regulatory authority, which shall reply in writing within 20 days, and the domestic MAH shall (a) submit a supplementary application to the CDE, if the parties disagree on whether such change is subject to approval, or (b) make a filing with the provincial drug regulatory authority, if the parties disagree on whether the change is subject to filing, as applicable; (ii) the overseas MAH should communicate with the CDE.

Regulations in relation to the Manufacturing of Drugs

Drug Manufacturing Permit

Pursuant to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license (藥品生產許可證) from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. Pursuant to the Implementing Regulations of the Drug Administration Law and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》), effective on 1 July 2020, the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, unified social credit code, legal representative and residence (business premises) specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the local bureau of SAMR.

Good Manufacturing Practice

Prior to 1 December 2019, pursuant to the Certification Measures for Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》) issued by the CFDA in August 2011 and abrogated in May 2021, 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 the provisions. If a manufacturer meets all the requirements of the Good Manufacturing Practices, a GMP certificate will be issued. Pursuant to the Circular 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 29 November 2019, the GMP and Good Supply Practice (GSP) certifications have been cancelled, applications for

REGULATIONS

GMP and GSP certifications are no longer accepted, and GMP and GSP certificates are no longer issued. However, according to the Drug Administration Law, 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 this 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 Practice for Drugs (2010 revised edition) (《藥品生產質量管理規範》), effective on 1 March 2011, provides guidance for the quality management, organisation and staffing, production premises and facilities, equipment, 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 systematic manner.

On 24 May 2021, the NMPA issued the Trial Administrative Measures for Drug Inspection (《藥品檢查管理辦法(試行)》), effective on the same date and revised on 19 July 2023. The Trial Administrative Measures for Drug Inspection provide that onsite inspections shall be conducted pursuant to the GMP on a drug manufacturer applying for the drug manufacturing license for the first time, while for the drug manufacturers applying for the renewal of drug manufacturing licenses, the review shall be conducted based on the risk management principles, in combination with the drug manufacturers' compliance with the laws and regulations of drug administration, and the operation of the GMP and quality management system, and inspections on the drug manufacturers' conformity to the GMP may be conducted where necessary.

On 29 December 2022, the NMPA issued the Provisions on the Supervision and Administration of the Fulfilment of Medicinal Product Quality and Safety Responsibilities by Marketing Authorisation Holders for Medicinal Products (《藥品上市許可持有人落實藥品質量安全主體責任監督管理規定》), which became effective on 1 March 2023. These provisions stipulate the MAH's key position responsibilities and quality management requirements and mechanisms. In particular, the MAH shall establish a separate management department with clear responsibilities, employ management personnel appropriate to the scale of drug production and operation, and clearly define the responsibilities for non-clinical research, clinical trials, production and sales, post-marketing research, adverse reaction monitoring and reporting and etc., and comply with the quality management requirements.

REGULATIONS

Contract Manufacturing of Drugs

On 22 January 2020, the SAMR promulgated the newly revised Administrative Measures on Supervision of Drug Manufacturing (the “**Revised Administrative Measures of Drug Manufacturing**”) (《藥品生產監督管理辦法(2020)》), which took effect on 1 July 2020. The Revised Administrative Measures of Drug Manufacturing further implement the drug marketing authorisation holder system as stipulated in the Drug Administration Law, according to which drug marketing authorisation holders of certain drugs are allowed to entrust qualified third-party manufacturers to manufacture drugs. In such cases, the parties shall enter into a contract manufacturing agreement and a quality agreement and submit the relevant agreements together with other application materials to the competent drug administrative authority to apply for a drug manufacturing license (for such MAH) and an updated manufacturing license (for the entrusted manufacturer). The Revised Administrative Measures of Drug Manufacturing no longer require GMP certificate for drug manufacturing enterprises, but the competent drug administrative authorities shall, based on regulatory needs, conduct compliance inspection of drug manufacturing quality control examination before drug marketing procedure.

Regulations in relation to the Distribution of Drugs

Pharmaceutical Distribution License

The Drug Administration Law, Implementing Regulations of the Drug Administration Law and the Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products (《藥品經營和使用質量監督管理辦法》) stipulate detailed provisions on aspects such as the purchase, sale, transportation and storage of medical products.

The distribution of drugs includes pharmaceutical wholesale and pharmaceutical retail. A pharmaceutical wholesale company refers to a company which sells drugs to pharmaceutical manufacturing companies, pharmaceutical distribution companies and medical institutions. A pharmaceutical retail company refers to a company which sells drugs directly to the consumers. An enterprise is required to obtain a pharmaceutical distribution license (藥品經營許可證) from administrative authorities of medical products at provincial level before commencement of operation of pharmaceutical wholesale business. An enterprise is required to obtain a pharmaceutical distribution license from administrative authorities of medical products at or above the county level before commencement of operation of pharmaceutical retail business. No individual or entity is allowed to engage in pharmaceutical distribution activities without a pharmaceutical distribution license.

According to the Drug Administration Law, an enterprise engaging in the pharmaceutical distribution activities shall meet the following major requirements:

- (1) Staffed with legally certified pharmacists and other pharmacy technicians;
- (2) Having business premises, equipment, storage facilities and hygienic conditions which are suitable for the drugs it distributes;

REGULATIONS

- (3) Having a quality control department or personnel which are suitable for the drugs it distributes;
- (4) Having policies and systems to assure pharmaceutical quality and complying with the requirements of the Good Supply Practices for Pharmaceutical Products.

Under the Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products (《藥品經營和使用質量監督管理辦法》), a pharmaceutical distribution license is valid for five years. Each holder of the pharmaceutical distribution license must apply for an extension of its permit during the period ranging from six months to two months prior to its expiration.

Good Supply Practice

Prior to 1 December 2019, establishment of a pharmaceutical distribution enterprise is required to apply for good supply practice certification (GSP certification) with the drug regulatory authority. If an enterprise meets all the requirements of the Good Supply Practices, a GSP certificate will be issued. However, pursuant to the Drug Administration Law and the Circular 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》), as GSP certifications have been cancelled since 1 December 2019, applications for GSP certifications are no longer accepted, and GSP certifications are no longer issued. While engaging in drug distribution activities, a distributor shall comply with the Good Supply Practices and establish a sound GSP management system to ensure that the entire process of drug distribution meets the statutory requirements. The legal representative and principal person in charge of a pharmaceutical distribution enterprise shall be fully responsible for the pharmaceutical distribution activities of the enterprise.

Pursuant to the Good Supply Practice, enterprises shall take effective measures for quality control at the stages of procurement, storage, sales and transportation of drugs to assure the quality of drugs, and shall develop a drug traceability system pursuant to the relevant regulations to realise the traceability of drugs. In addition, the CFDA revised the Guidelines for On-site Inspection of Good Supply Practices for Pharmaceutical Products (《藥品經營質量管理規範現場檢查指導原則》) on 14 December 2016 in order to further regulate the supervision and inspection of drug distributors.

Two-invoice System

In order to further optimise the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated 6 April 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council (國務院辦公廳) on 21 April 2016, the “two-invoice system” (兩票制) will be fully implemented in the PRC. According to the Circular on Issuing the Implementing Opinions on Carrying out the Two-invoice System for Drug Procurement

among Public Medical Institutions (for Trial Implementation) (《印發<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)>的通知》, the “Two-invoice Circular”), which was effective from 26 December 2016, the two-invoice system means one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the hospital, and thereby only allows a single level of distributor for the sale of pharmaceutical products from the pharmaceutical manufacturer to the hospital. The following enterprises may be recognised as manufacturers: (i) the wholly-owned or controlled commercial company which is established by a pharmaceutical manufacturer or a group enterprise integrating science, industry and trade, and which only sells drugs of such manufacturer or group enterprise; and (ii) the domestic general agent holding exclusive marketing and distribution rights for imported drugs, provided that only one commercial company or one domestic general agent is permitted for each imported drug in China. The invoice issued for the transfer of drugs between a pharmaceutical distribution company and its wholly-owned/controlled subsidiaries or among its wholly-owned/controlled subsidiaries may not be regarded as “one invoice” in the context of “two-invoice system”, provided that no more than one invoice can be issued for such transfer(s) of drugs. According to the Two-invoice Circular and the Several Opinions of the General Office of the State Council on Further Reforming and Improving the Policies on 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》) issued on 24 January 2017, two-invoice system shall be promoted on a priority basis in pilot provinces (autonomous regions and municipalities directly under the central government) involved in the comprehensive medical reform programme and pilot cities for public hospital reform, while other regions are encouraged to implement such system, with the aim of promoting to nationwide implementation by 2018.

Online Drug Sales

According to the Measures for Supervision and Administration of Online Drug Sales (《藥品網絡銷售監督管理辦法》) (“**Measures for Online Drug Sales**”), which were issued by SAMR on 3 August 2022 and came into effect on 1 December 2022, online drug sales are not entirely prohibited but heavily regulated. Drugs subject to special administration, such as vaccines, blood products, narcotic drugs, psychotropic drugs, toxic drugs for medical use, radioactive drugs, pharmaceutical precursor chemicals and other drugs contained in a detailed negative list maintained by NMPA, are expressly banned from sale on the Internet-based platform. The MAHs are only allowed to sell drugs for which they have obtained the marketing authorisation licenses and shall not directly sell such drugs to individuals unless they have obtained a separate drug supply license for drug retail. The Measures for Online Drug Sales also set out comprehensive obligations for online drug distributors (including retailers) to fulfil throughout the distribution cycle, such as the establishment of internal quality and safety administration system, risk control, drug tracing, storage and delivery, information reporting, record-keeping and drug information display.

REGULATIONS

Drug Recall

According to the Measures on Drug Recall (《藥品召回管理辦法》), which was promulgated on 10 December 2007 and last amended with effect from 1 November 2022, the MAHs should establish and improve its recall system by collecting relevant information about drug safety and making an investigation and evaluation with respect to any drugs with potential safety hazards. If there are any potential safety hazards that endanger human health and life safety in respect of any drugs sold in PRC, such MAHs must start the drug recall procedures. The MAH is required to report its product recalls to the provincial branches of the NMPA and inform its distributors and other customers to cease using the products involved and to return them to the manufacturer. The reporting and notice time requirements range from one day to seven days, depending on the seriousness (classified into three levels) of existing or potential damage to human health. If the damage is serious (Level I), the recall notice must be made within one day, and the recall progress must be reported to the provincial drug regulatory authority every one day; If the damage is temporary or reversible (Level II), the recall notice must be made within three days, and the recall progress must be reported to the provincial drug regulatory authority every three days; If the drugs are generally not harmful to health but will be recalled for other reasons (Level III), the recall notice must be made within seven days, and the recall progress must be reported to the provincial drug regulatory authority every seven days. In addition to drug recall initiated by MAHs, regulatory authorities at provincial level may also require the MAHs to recall the drugs, if (i) after investigation and assessment, they determine that any MAH should have recalled its drugs but does not do so; or (ii) they determine the recall initiated by MAHs is not complete.

According to the Measures on Drug Recall, the MAHs shall (i) establish and implement a drug traceability system and keep complete records of purchase and sale; (ii) develop a drug recall information disclosure system and publish drug recall information in accordance with the law; (iii) ensure that the content of the notification and the labelling and storage of drug recalls achieve certain requirements. For drugs that can eliminate hidden dangers by replacing labels, modifying and improving instructions and repackaging, etc., they can be appropriately handled before entering into the market again. Where a drug is recalled, the drug operating units and users should assist such manufacturer to satisfy its recall obligations by communicating the drug recall information and any feedback, controlling and recovering such drugs according to the recall plan.

Regulations in relation to the Import and Export of Drug

Import and Export of Goods

Pursuant to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》) (effective on 13 March 2014, last amended with effect from 1 July 2018 and abrogated on 1 January 2022), the import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall

REGULATIONS

go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

The Provisions on the Filing of Customs Declaration Entities of PRC (《中華人民共和國海關報關單位備案管理規定》), which became effective on 1 January 2022 and replaced the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC, changed the registration of consignors and consignees into record-filing and further simplified the regulatory regime for the import and export of goods.

Import of Special Articles

Pursuant to the Administrative Provisions on the Sanitation and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》) (effective on 1 March 2015 and last amended with effect from 23 November 2018), the import or export of special articles, including micro-organisms, human tissues, biological products, blood and blood products shall be subject to the supervision and administration over health quarantine. The customs office is responsible for the health quarantine and approval of import and export of special articles in its relevant jurisdictions. The enterprise conducting import or export of special articles shall establish safety management system for special articles, and shall produce, use or sell the special articles in strict accordance with the purposes for the approval of such special articles.

Import of Drugs

According to the Drug Administration Law, drugs shall be imported through the specific ports for the import of drugs, and the drug importation enterprise shall make a filing with the local NMPA where the port is located. Such local NMPA shall notify the pharmaceutical inspection institution to carry out selective inspections on the imported drugs according to relevant laws and regulations.

Pursuant to the Administrative Measures for the Import of Drugs (《藥品進口管理辦法》), which was promulgated by NMPA and the General Administration of Customs on 18 August 2003, as amended with effect from 24 August 2012, the enterprise must obtain the Drug Import Registration Certificate (進口藥品註冊證) (or Pharmaceutical Products Registration Certificate (醫藥產品註冊證)) or Approval Document for Import of Drugs (進口藥品批件) before it can make the import filings for the imported drugs. However, on 1 July 2020, the NMPA published the Announcement on Launching the Use of the Drug Registration Certificate, the Approval Notice for Drug Re-registration and the Approval Notice for Supplementary Drug Application (2020 Edition) (No. 265) (《關於啟用《藥品註冊證書》《藥品再註冊批准通知書》《藥品補充申請批准通知書》(2020版)的公告(第265號)》), which stipulates that for the purposes of implementing the Administrative Measures for Drug Registration and regulating the format of proof documents for examination and approval results of drug administrative licensing matters, a decision has been made to

REGULATIONS

launch the use of the Drug Registration Certificates (藥品註冊證書), the Approval Notice for Drug Re-registration (藥品再註冊批准通知書) and the Approval Notice for Drug Supplementary Applications for drugs (藥品補充申請批准通知書) manufactured domestically and overseas as at 1 July 2020.

Regulations in relation to Medical Insurance Programme and Volume-based Procurement (“VBP”) Scheme

Coverage of National Medical Insurance Programme

The national medical insurance programme was first adopted according to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Programme (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on 14 December 1998, under which all employers in urban cities are required to enrol their employees in the basic medical insurance programme and the insurance premium is jointly contributed by the employers and employees. On 10 July 2007, the State Council issued the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》), further enlarged the coverage of the basic medical insurance programme, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance (城鎮居民基本醫療保險). In addition, on 3 January 2016, the Opinions on Integrating the Basic Medical Insurance Systems 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》) issued by the State Council requires the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents other than rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

National Reimbursement Drug List

Participants of the national medical insurance programme and their employers, if any, are required to contribute to the payment of an insurance premium on a monthly basis. Programme participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalogue. The Tentative Measures for the Administration of the Scope of Basic 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的通知》), or the Medical Insurance Coverage Notice, issued on 12 May 1999 jointly by several authorities including, among others, the Ministry of Labour and Social Security (中華人民共和國勞動和社會保障部) and the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (“NDRC”), provide that a drug product listed in the medical insurance catalogue must be clinically necessary, safe, effective, reasonably priced, easy to use, and available in sufficient quantity.

REGULATIONS

The National Drug Catalogue for Basic Medical Insurance, Work-related 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》), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. The Ministry of Human Resources and Social Security of the PRC, together with other government authorities, have the power to determine which medicines are listed in the NRDL. Medicines listed in the NRDL are divided into two parts, Category A and Category B. Category A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while Category B drugs are clinical treatments with good efficacy and slightly higher prices compared to Category A drugs.

On 7 December 2023, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC released an updated NRDL (effective upon 1 January 2024), the scope of which was expanded to cover 3,088 drugs in total. And on 27 November 2024, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC promulgated the National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (“**2024 NRDL**”), which will be effective on 1 January 2025, and the scope of which will be expanded to cover 3,159 drugs in total.

On 30 July 2020, the National Healthcare Security Administration issued Interim Administrative Measures for Drug Use in Basic Medical Insurance (“**NRDL Administrative Measures**”) (《基本醫療保險用藥管理暫行辦法》) which became effective on 1 September 2020. The NRDL Administrative Measures sets out the guidance for the inclusion and adjustment of NRDL and the payment, management and supervision of the payment of basic medical insurance. According to the NRDL Administrative Measures, a dynamic adjustment mechanism shall be established, and the NRDL shall be adjusted once a year in principle.

National Essential Drug List

The Measures on the Administration of the National Essential Drug List (Trial Implementation) (《國家基本藥物目錄管理辦法(暫行)》) (the “**Measures on Essential Drugs**”), which was first promulgated on 18 August 2009 and amended as the Measures on the Administration of the National Essential Drug List on 13 February 2015, aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Drug List (as amended from time to time). The latest drug list is the National Essential Drug List (2018 Edition) promulgated by NHC and National Administration of Traditional Chinese Medicine (國家中醫藥管理局) on 30 September 2018, which became effective on 1 November 2018.

According to relevant regulations, government-funded healthcare institutions shall prioritise the procurement and use of drugs listed in the National Essential Drug List as required. The drugs listed in National Essential Drug List shall be purchased according to a tender process and shall be subject to the price control by the NDRC.

Drug Purchases by Hospitals

According to the Opinion on the Guidance of the Reform of Urban Medical and Health Care System (《關於城鎮醫藥衛生體制改革的指導意見》), effective on 21 February 2000, and the Opinion 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》), effective on 1 September 2000, a medical institution must be defined as a for-profit or non-profit institution at the time when it is established. A non-profit medical institution is established to provide services to the general public, with its revenue used for maintaining and developing such institution, while a for-profit medical institution is established by investors for the purpose of investment return. The PRC government does not establish any for-profit medical institutions, while non-government entities may establish for-profit medical institutions. Any non-profit medical institutions must adopt a tender process for any drug procurement, while for-profit medical institutions are not required to adopt such process.

According to the Notice on the Trial Implementation of the VBP Tender Process 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》), effective on 7 July 2000, the Notice on the Further Standardising of the VBP 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》), effective on 23 July 2001, and the Opinions concerning Further Regulating Purchase of Medicines by Medical Institutions through VBP Tender Process (《關於進一步規範醫療機構藥品集中採購工作的意見》), effective on 17 January 2009, any non-profit medical institution established and/or controlled by a government at a county level or above must adopt a tender process in respect of procurement of drugs which are contained in the National Essential Drug List or are generally used for common clinical needs.

The Circular on the Good Practice of Medical Institutions with respect to VBP (《醫療機構藥品集中採購工作規範》) (the “**Circular of VBP**”), effective on 7 July 2010, provides stipulations in detail in respect of the catalogue and process for VBP, drug evaluation, establishment and management of expert database, which further regulates the VBP and clarifies the code of conduct on the part of purchasing parties. According to the Circular of VBP, any non-profit medical institutions established by any government at the county level or above or by any state-owned enterprises (including state-controlled enterprises) must participate in the VBP scheme. The regulatory authority at provincial (or municipal or district) level shall be responsible for compiling the drug catalogue for VBP by relevant medical institutions within its own administrative region, and narcotic drugs and first class psychoactive drugs to which the special regulatory measures are applied should not be included in such catalogue; and second class psychoactive drugs, radioactive drugs, toxic drugs for medical use, active pharmaceutical ingredients, traditional Chinese medicinal materials and prepared drug pieces of traditional Chinese medicine may be excluded from such catalogue.

REGULATIONS

According to the Guidance Opinion of the General Office of the State Council on the Improvement of the VBP 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》), effective on 9 February 2015, the VBP scheme in public hospitals will be improved through the classification of drugs to be purchased. All drugs used by public hospitals (excluding prepared drug pieces of traditional Chinese medicine) should be procured through a provincial VBP platform. The provincial procurement agency should work out a summary of the procurement plans and budget submitted by hospitals and compile reasonably a drug procurement catalogue for public hospitals in its own administration region, listing by classification the drugs to be procured respectively through bids, negotiations, direct purchases by hospitals or supply of appointed manufacturers.

The VBP Scheme in “4+7 Cities” and Nationwide

In 2018, in order to deepen the reform of the medical and healthcare system and further reduce drug prices, the State launched the pilot scheme for the VBP in 11 cities. On 15 November 2018, the Joint Procurement Office (國家聯合採購辦公室) published the Papers on VBP in “4+7 Cities” (GY-YD2018-1) (4+7城市藥品集中採購文件), which launched the national pilot scheme for a VBP in the public hospitals. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xian (the “4+7 Cities”).

On 1 January 2019, the General Office of the State Council issued the Notice of Issuing Pilot Scheme of the VBP and Use of Drugs Organised 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 for the implementation of VBP in the 4+7 Cities. In principle, the pilot varieties of drugs to be covered in the scheme shall be selected from the generic names of generic drugs which has passed the quality and efficacy consistency evaluation.

The procurement procedures shall be determined based on the number of manufacturers of each drug that has been selected: if three or more drug makers are selected, the procurement shall go through a public tender process; if two are selected, procurement shall go through a price negotiation process; and if only one is selected, the parties shall negotiate to determine the procurement terms.

On 25 September 2019, the VBP scheme was expanded nationwide according to the Implementation Opinions on Expanding the Pilot Scheme of State-Organised VBP and Use of Drugs 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》), followed by the Documents on National VBP (GY-YD2019-2) (《全國藥品集中採購文件》(GY-YD2019-2)) issued by the Joint Procurement Office on December 2019. The volume-based VBP scheme will be applied nationwide, and qualified participants include all drug manufacturers, general agents of imported drugs and drug marketing authorisation holders to the extent such enterprises have drug products that fall within the scope of VBP scheme.

REGULATIONS

The National Healthcare Security Administration, the NHC, the NMPA, the Ministry of Industry and Information Technology (工業和信息化部) and the Logistics Support Department of the Central Military Commission (中央軍委後勤保障部) jointly promulgated the Notice on the Commencement of the Second Batch of State-Organised VBP and Use (《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》, “**Notice**”), effective on 13 January 2020. This Notice provides some principles in the implementation of the state-organised VBP scheme in order to comprehensively deepen the reform and establish a standardised and normalised scheme for such VBP nationwide. On 29 July 2020, the Joint Procurement Office issued the Documents on National VBP (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) and launched a new batch of drugs eligible for the VBP.

The General Office of the State Council issued the Opinion on Promoting the Normalisation and Standardisation of the VBP (《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》) on 22 January 2021, indicating that various measures shall be taken to facilitate the normalisation and standardisation of the VBP across the nation. All public medical institutions shall participate in the VBP scheme, and future procurement lists will include drugs listed in the NRDL in great market demand or with high purchase price and anticipate to cover domestically marketed drugs necessary for clinical use and of reliable quality to the extent possible.

The Joint Procurement Office issued on 2 June 2021 the Documents on National VBP (GY-YD2021-2) (《全國藥品集中採購文件(GY-YD2021-2)》), on 5 November 2021 the Documents on National VBP (Insulin) (GY-YD2021-3) (《全國藥品集中採購文件(胰島素專項)(GY-YD2021-3)》), on 20 June 2022 the Documents on National VBP (GY-YD2022-1) (《全國藥品集中採購文件(GY-YD2022-1)》), on 2 March 2023 the Documents on National VBP (GY-YD2023-1) (《全國藥品集中採購文件(GY-YD2023-1)》), on 29 March 2024 the Documents on National VBP (GY-YD2024-1) (《全國藥品集中採購文件(GY-YD2024-1)》), and on 22 November 2024 the Documents on National VBP (GY-YD2024-2) (《全國藥品集中採購文件(GY-YD2024-2)》), which were the fifth, sixth, seventh, eighth, ninth and tenth batch of drugs that were available for VBP nationwide.

Other Related Regulations in the PRC Pharmaceutical Industry

Drug Advertisements

Pursuant to the PRC Advertising Law (《中華人民共和國廣告法》), promulgated by SCNPC on 27 October 1994 and last amended with effect from 29 April 2021, and the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《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》), promulgated by SAMR on 24 December 2019 and effective on 1 March 2020, certain drugs (such as anesthetics, psychotropic drugs, toxic drugs, radioactive drugs, pharmaceutical precursor chemicals, and drugs for drug addiction treatment) are not allowed to be advertised in any manner in China, and advertisements on other drugs should be subject to regulatory review and approval before they are published. In addition, prescription drugs shall not be advertised on mass media or

REGULATIONS

promoted in any other manner targeting the public. Prescription drugs may only be advertised on the medical or pharmaceutical journals jointly approved by the NHC and NMPA. The contents of an approved advertisement on drugs should be comply with statutory requirements, and certain contents shall not be included in an advertisement, such as any assertion or guarantee on the efficacy or the safety, and any statement on the cure rate or effective rate. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the content of the advertisement is made, a new advertisement approval number shall be obtained.

Insert Sheet, Labels and Packaging of Pharmaceutical Products

According 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》) effective on 1 June 2006, the insert sheets and labels of drugs should be reviewed and approved by the NMPA. A drug insert sheet should include the 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 and adverse reaction.

According to the Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) effective on 1 September 1988, pharmaceutical packaging must comply with the national and professional standards. If no national or professional standards are available, the enterprise can formulate its own standards and put into implementation after obtaining the approval of the food and drug administration or bureau of standards at the provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its own packaging standard. Drugs that have not developed and received approval for packing standards must not be sold or traded in the PRC (except for drugs for military use).

Drug Technology Transfer

On 19 August 2009, the CFDA promulgated the Administrative Regulations for Technology Transfer Registration of Drugs (《藥品技術轉讓註冊管理規定》), or Technology Transfer Regulations, to standardise the registration process of drug technology transfer, which includes application for, and evaluation, examination, approval and monitoring of, drug technology transfer. Drug technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer and the application for drug registration by the transferee according to the provisions in the Technology Transfer Regulations. Drug technology transfer includes new drug technology transfer and drug production technology transfer. Applications for drug technology transfer should be submitted to the drug regulatory authorities at the provincial level. The drug regulatory authority at the provincial level where the transferee is located is responsible for examining application materials for technology transfer and organising on-site inspections of the production facilities of the transferee. If the transferor and the transferee are located in different provinces, the drug regulatory authorities

REGULATIONS

at the provincial level where the transferor is located should provide examination opinions as well. The CDE should further review the application materials, provide technical evaluation opinions and form a comprehensive evaluation opinion based on the on-site inspection reports and the testing results of the samples. The NMPA will determine whether to approve the application according to the comprehensive evaluation opinion of the CDE. An approval letter of supplementary application and a drug approval number will be issued to qualified applications.

With the enactment of the Trial Administrative Measures for the Change of the Registration for Post-marketing Drugs (the “**Trial Measures**”), in the event of any inconsistency between the Technology Transfer Regulations and the Trial Measures, the relevant provisions in the Trial Measures shall prevail.

Pharmaceutical Representatives Filing

On 22 September 2020, the NMPA promulgated the Interim Administrative Measures for the Filing of Pharmaceutical Representatives (《醫藥代表備案管理辦法(試行)》), which took effect on 1 December 2020. The pharmaceutical representatives refer to the professionals who engage in the delivery, communication and collecting feedback of pharmaceutical information in China on behalf of an MAH. According to the Interim Administrative Measures for the Filing of Pharmaceutical Representatives, the MAH of a drug shall be responsible for the filing and management of its pharmaceutical representatives; and where the MAH is a foreign company, it shall designate an agent to perform the corresponding responsibilities on its behalf. If an MAH fails to make the filing for its pharmaceutical representatives, such pharmaceutical representatives will not be allowed to conduct relevant drug promotion activities, and any misconduct of the MAH or its pharmaceutical representatives will be published on a public information platform.

Regulation in Relation to Anti-monopoly, Anti-Unfair Competition and Anti-Bribery

Anti-monopoly

Pursuant to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》), which was promulgated by SCNPC on 30 August 2007 and last amended with effect from 1 August 2022, companies holding a dominant market position are prohibited from engaging in activities that may be defined as the abuse of dominant market position, such as: (a) selling products at unfairly high prices or purchasing products at unfairly low prices; (b) selling products at a price lower than cost without legitimate grounds; (c) refusing to trade with another trading party without legitimate grounds; (d) forcing another trading party to trade only with said operator or other operators specified by said operator without legitimate grounds; (e) conducting tie-in sales or adding other unreasonable conditions on a deal without legitimate grounds; (f) discriminating among trading parties of the same qualifications with regards to trade price or other terms without legitimate grounds; or (g) other practices recognised by the anti-monopoly law enforcement authorities as abuse of dominant market position. The above “dominant market position” of a company refers to the position where such company may manipulate the

REGULATIONS

price, volume and other trade conditions of a commodity on its relevant market, or may obstruct or otherwise affect the entrance of other operators into relevant markets. Where a company abuses a dominant market position, the anti-monopoly law enforcement authorities will order a halt to the offending behaviour, confiscate the illegal earnings and impose a fine amounting to 1% to 10% of the previous year's sales revenue of the company.

Anti-unfair Competition

Competition among business operators is generally governed by the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》, the “**Anti-Unfair Competition Law**”), which was promulgated by SCNPC on 2 September 1993 and last amended with effect from 15 October 2025. According to the Anti-Unfair Competition Law, when trading on the market, business operators must abide by the principles of voluntariness, equality, fairness and honesty and observe laws and business ethics, and participate in market competition fairly. Acts of business operators constitute unfair competition where they contravene the provisions of the Anti-Unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other business operators or consumers. When the lawful rights and interests of a business operator are damaged by the acts of unfair competition, it may institute proceedings in a people's court. In comparison, where a business operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition Law and causes damage to others, it will be responsible for compensating for the damages. The amount of compensation for the damage caused to a business by any act of unfair competition shall be determined based on the actual loss suffered by the business due to the infringement or the benefits acquired by the infringer from the infringement. If a business operator intentionally infringes upon a trade secret with serious circumstances, the amount of compensation may add up to five times the amount of such damages. The infringer will also bear all reasonable costs paid by the infringed to prevent the infringement.

Pursuant to the Drug Administration Law, for drugs of which the prices are adjustable by the market in compliance with the law, the MAH, drug manufacturers, drug distributors and medical institutions shall (i) set the drug price in compliance with the principles of fairness, reasonability, good faith and commensuration of price with quality, in order to provide the consumers with drugs at a reasonable price; (ii) set and indicate retailing prices in accordance with the regulations on administration over drug prices formulated by the competent pricing department under the State Council. On 4 May 2015, the NDRC, the National Health and Family Planning Commission, the Ministry of Human Resources and Social Security, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce (the “**MOFCOM**”) and the CFDA jointly issued the Notice on Issuing the Opinion on Promoting Pharmaceutical Pricing Reform (《關於印發<推進藥品價格改革意見>的通知》), pursuant to which, since 1 June 2015, except for anesthetics and Class 1 psychotropic drugs, government-controlled drug prices were lifted and the drug trading prices would be determined mainly by market competition.

REGULATIONS

Anti-bribery

Pursuant to Anti-Unfair Competition Law, business operators shall not seek transaction opportunities or competitive edges by bribing the relevant entities or individuals with property or by any other means. Pursuant to the Interim Provisions of the State Administration for Industry and Commerce on Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》), effective on 15 November 1996, commercial bribery refers to an act of offering money or property or using other means by a business operator to the other entity or individual for the purposes of selling or buying goods, among which “other means” refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. Pursuant to the Regulations on the Establishment of Bad Records with respect to Commercial Briberies in the Medicine Purchase and Sales Industry (2013 Revision) (《關於建立醫藥購銷領域商業賄賂不良記錄的規定(2013年修訂)》), effective on 1 March 2014, where a manufacturer of drugs, medical devices and medical disposables, an enterprise, an agency or an individual offers any staff of a medical institution procuring and using its drugs, medical devices and medical disposables any items of value or other benefits, such enterprise or individual should be listed in the bad records with respect to commercial bribery, in the event of the following circumstances: (1) where the act has constituted a crime of bribery as determined by the judgement of a people’s court, or where the circumstance of crime is not serious enough for the imposition of criminal punishment and criminal punishment is exempted as decided by the people’s court in accordance with the Criminal Law; (2) where the circumstance of the crime of bribery is minor and the relevant people’s procuratorate has decided not to lodge a prosecution; (3) where a discipline inspection and supervision authority has initiated a case of bribery and conducted investigation, and punishment has been imposed in accordance with the law; (4) where administrative penalties against the act of bribery have been imposed by, inter alia, the finance administration, the industrial and commercial administration or food and medicine regulatory authorities; (5) any other circumstances specified by laws, regulations and rules. If medicine manufacturers, sellers or their agents are listed into the local Bad Records of Commercial Briberies (商業賄賂不良記錄, the “**Bad Record**”) for the first time, their products shall not be purchased by the public medical institutions, or the medical and health institutions receiving financial subsidies in local province within two years since the publication of the Bad Record, and the public medical institution, or the medical and health institutions receiving financial subsidies in other provinces shall lower their rating in bidding or purchasing process within two years since the publication of the Bad Record. If medicine manufacturers, sellers or their agents are listed into the Bad Record twice or more within five years, their products shall not be purchased by the public medical institutions, and the medical and health institutions receiving financial subsidies nationwide within two years since the publication of the Bad Record.

REGULATIONS

On 8 May 2023, the National Health Commission, along with other authorities, jointly issued a circular titled “Circular on Key Tasks for Rectifying Bad Practices Arising from Pharmaceutical Purchases and Sales and in Medical Services (2023)” (《關於印發2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》) (the “**2023 Circular**”). The objective of the 2023 Circular is to address and rectify misconduct within the pharmaceutical industry, strengthen the supervision and administration of medical insurance funds, and implement comprehensive management measures to tackle issues in the medical field. The 2023 Circular emphasises the need to rectify misconduct by manufacturers, distributors, as well as their associated dealers or pharmaceutical representatives during the sales process of medicinal products. Examples of such misconduct include engaging in sales activities using bribery in various names or forms, providing kickbacks to employees of medical institutions, or disguising benefits tunnelling to relevant medical institutions through various means. Additionally, it highlights the importance of ensuring compliance with procurement contracts in VBP of medicinal products and medical consumables. This includes avoiding actions such as refusing to implement the results of VBP, impeding the entry of selected products into hospitals, purchasing high-priced non-selected or clinically substitutable products, and engaging in offline procurement in violation of laws. The issuance of the 2023 Circular underscores the government’s commitment to addressing these problematic practices and promoting transparency, fairness, and integrity within the pharmaceutical and medical sectors.

On 17 May 2024, the National Health Commission, along with other authorities, jointly issued a notice titled “Circular on Key Tasks for Rectifying Bad Practices Arising from Pharmaceutical Purchases and Sales and in Medical Services (2024)” (《關於印發2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》) (“**2024 Circular**”). The 2024 Circular strengthens investigations of all forms of bribery committed in the pharmaceutical and medical services industry. It requires to improve the management of medical institutions in using selected drugs and medical consumables, focus on illegal activities that drive up drug prices, disrupt the order of drug distribution, and commercial bribery violations in the pharmaceutical field, and optimise internal management, standardise business service behaviors, and establish and improve internal control systems to effectively prevent and control internal operational risks, improve and implement core medical systems to ensure reasonable examinations, medications, treatments, and standardised charges during patient visits.

Regulations in Relation to the Foreign Investment

Foreign Direct Investment

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of PRC (《中華人民共和國公司法》), the “**PRC Company Law**”), which was promulgated by the SCNPC on 29 December 1993 and last amended with effect from 1 July 2024. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law applies to both PRC domestic company and foreign-invested limited liability companies. Pursuant to the PRC Company Law, where laws on foreign investment have otherwise different stipulations, such stipulations shall prevail.

REGULATIONS

Investment activities by foreign investors in the PRC are governed by Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the “**Foreign Investment Law**”), which was promulgated by NPC on 15 March 2019 and came into effect on 1 January 2020, and the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》, the “**Foreign Investment Law Implementation Regulations**”), which was issued by the State Council on 26 December 2019 and came into effect on 1 January 2020, the Foreign Investment Law and the Foreign Investment Law Implementation Regulations replaced, in their entirety, the previous major laws regulating foreign investment in the PRC, namely, the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》), the Sino-foreign Equity Joint Ventures Enterprises Law (《中華人民共和國中外合資經營企業法》) and the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》), and together with their implementation rules and ancillary regulations. According to the Foreign Investment Law, the investment activities by foreign investors includes: (1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; (2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; (3) investing by foreign investors in new projects in China alone or jointly with other investors; (4) other forms of investment prescribed by laws, administrative regulations or the State Council. The Foreign Investment Law further prescribes that the foreign investors may enjoy preferential treatment in special industries, fields and regions where foreign investment are encouraged and will receive national treatment for foreign investments outside the negative list. The negative list will be amended by the State Council from time to time. On 6 September 2024, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》) which took effect on 1 November 2024. On 26 October 2022, the NDRC and the MOFCOM jointly issued the Catalogue on Encouraged Industries for Foreign Investment (2022) (《鼓勵外商投資產業目錄(2022年版)》), which came into effect on 1 January 2023.

MOFCOM Filing Regime

On 8 August 2006, six PRC regulatory agencies, namely the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange, or the SAFE, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, the “**M&A Rules**”), which became effective on 8 September 2006 and were amended by MOFCOM with effect from 22 June 2009. The M&A Rules require, among other things, that a foreign investor (1) acquiring an equity interest in a non-foreign-invested PRC enterprise or (2) establishing a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise, or purchasing the assets of a domestic non-foreign invested enterprise and injecting those assets to establish a foreign-invested enterprise must comply with relevant foreign investment industry policies and be subject to approval/filing by MOFCOM or its local counterpart.

REGULATIONS

Following the enactment of the Foreign Investment Law, on 30 December 2019, the MOFCOM and the SAMR jointly issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), the “**Reporting Measures**”), which came into effect on 1 January 2020 and replaced the Interim Measures on the Administration of Filing for Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). According to the Reporting Measures, the foreign investors and foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

Regulations in Relation to the Foreign Exchange Administration

Foreign Exchange

The principal law governing foreign currency exchange in the PRC is the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), the “**Forex Regulations**”). The Forex Regulations were first enacted on 29 January 1996 and last amended with effect from 5 August 2008. According to the Forex Regulations, international payments in foreign currencies and transfers of foreign currencies under current account, such as payments of dividends or interests, shall not be restricted. Foreign currency transactions under the capital account, such as direct investment and capital contributions, are still subject to restrictions and require approvals from, or registration with, the State Administration of Foreign Exchange and other relevant PRC governmental authorities.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested 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》), the “**SAFE Circular 19**”), which became effective on 1 June 2015 and last amended with effect from 30 December 2019, as well as the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies on the Settlement of Capital Projects (《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》) (the “**SAFE Circular 16**”), which was promulgated by the SAFE on 9 June 2016, amended on 4 December 2023 and came into effect on the same day. The SAFE Circular 16 provides that the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital, external debts and funds recovered from overseas listing, etc.) may convert from foreign currency into RMB on self-discretionary basis. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The SAFE Circular 16 reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for the purpose beyond the business scope of the domestic entity and investments in securities with the exception of banks’ principal-secured products. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

REGULATIONS

The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《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》), the “**Circular 28**”), promulgated by the SAFE on 23 October 2019, amended on 4 December 2023 and came into effect on the same day stipulates that in addition to foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws.

According to the Circular of the State Administration of Foreign Exchange on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on 10 April 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, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

Dividend Distribution

Under PRC laws and regulations, PRC companies, including foreign invested enterprises may distribute dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards. In addition, PRC companies, including domestic companies, WFOEs and EJVs, are required to set aside each year at least 10% of their after-tax profits based on PRC accounting standards to their statutory general reserves funds until the cumulative amount of such reserve funds reach 50% of their registered capital. These reserves are not distributable as cash dividends.

Circular 37

The Circular on Related Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Round-trip Investment via Special Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular 37, was promulgated by the SAFE and came into effect on 4 July 2014. Under Circular 37, PRC residents, individuals or institutions are required to register with the bureau of foreign exchange administration before they invest in a special purpose vehicle (“**SPV**”) with legitimate assets or equity interests inside and outside the PRC. In addition, any PRC resident that is a shareholder of an offshore SPV is required to amend its SAFE registration in a timely manner after any major changes of the offshore SPV being made, such as any increase or decrease of capital, stock right assignment or exchange, or merger or split. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the subsequent foreign exchange activities of the relevant PRC residents, including the remitting back of dividends and profits. PRC

REGULATIONS

residents who invest in an SPV with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments, must submit an explanatory statement and state the reasons to SAFE. SAFE may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by the PRC resident that applies for complementary registration, administrative penalties could be imposed in accordance with relevant laws.

According to the Circular on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by SAFE on 13 February 2015 and came into effect on 1 June 2015, registrations under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located. Foreign exchange regulatory authorities will perform indirect regulation over the direct investment-related foreign exchange registration via the banks.

Employee Stock Option Plans

On 15 February 2012, SAFE issued the Circular on Relevant Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Option Rules. Under the Share Option Rules, PRC citizens or residents habitually residing in the PRC continuously for over one year, with a few exceptions, and who have been granted, restricted shares or share options by an overseas listed company according to its employee share option or share incentive plan, are required to appoint a qualified PRC agent, register with SAFE or its local counterparts, and complete certain other procedures related to the shareholding plan, share option plan or other similar share incentive plans. Concurrent with registration with SAFE or its local counterparts, the qualified PRC agent is required to obtain an approval from SAFE for an annual allowance for the foreign exchanges in connection with shareholding or the exercise of a share option, and an approval for opening a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with share purchases or share option exercises, returned principals or profits upon sale of shares, dividends issued on the stock and any other income or expenditures approved by SAFE. Currently, foreign exchange income of the participating PRC residents received from the sale of share and dividends distributed by the overseas listed company are required to be fully remitted into such special domestic foreign currency account before distribution to such participants. In addition, the PRC agents are required to amend or deregister the registrations with SAFE or its local counterparts in case of any material change in, or termination of, the share incentive plans within the time periods provided by the Share Option Rules.

REGULATIONS

Regulations in Relation to Intellectual Property Rights

Trademark Law

The Trademark Law of the PRC (《中華人民共和國商標法》, the “**Trademark Law**”) was promulgated on 23 August 1982 and last amended with effect from 1 November 2019. The Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on 3 August 2002 and last amended with effect from 1 May 2014. These current effective laws and regulations provide the basic legal framework for the regulation of trademarks in the PRC, covering registered trademarks, including commodity trademarks, service trademarks, collective marks and certificate marks. Registered trademarks are protected under the Trademark Law and related rules and regulations. Trademarks are registered with the Trademark Office of the National Intellectual Property Administration (國家知識產權局商標局). Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approved for use on the same or similar commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Patent Law

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》, the “**Patent Law**”), which was promulgated by the SCNPC on 12 March 1984 and last amended with effect from 1 June 2021, and the Implementation Regulations for the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on 15 June 2001 and last amended with effect from 20 January 2024. There are three types of patents in the PRC, which are invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years, and the protection period of design patent right is 15 years, both commencing from the filing date.

According to the Patent Law, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. The licensee does not have the right to allow any entity or individual not specified in the contract to exploit such patent. Pursuant to the Measures for the Filing of Patent Licensing Contracts (《專利實施許可合同備案辦法》), promulgated by the State Intellectual Property Office on 27 June 2011 and became effective on 1 August 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

REGULATIONS

In terms of patent covering a pharmaceutical product, the Trial Implementation Measures for the Mechanism for Early-Stage Settlement of Drug Patent Disputes (《藥品專利糾紛早期解決機制實施辦法(試行)》), promulgated by the NMPA and China National Intellectual Property Administration on 4 July 2021 and effective on the same day, establish a special mechanism to protect pharmaceutical patents from infringement of chemical generic drug. Under this mechanism, the MAHs shall register information about the drug and the corresponding patent of the drug. When applying for drug marketing authorisation, the applicant of a chemical generic drug shall, by reference to the patent information registered by the MAH, make a declaration on each relevant drug patent of the generic drug. Any patentee or interested party who has an objection to the patent declaration may, within 45 days as of the date when the application for marketing authorisation is made public by the national drug evaluation agency, lodge a lawsuit to a court regarding whether the relevant technical solution of the drug applied for marketing falls within the scope of protection of the relevant patent rights or request an administrative ruling from the patent administrative department of the State Council.

Copyright and Software Copyright

Copyright, including copyrighted software, is mainly protected under the Copyright Law of the PRC (《中華人民共和國著作權法》), the “**Copyright Law**”, which was adopted by the SCNPC on 7 September 1990 and last amended with effect from 1 June 2021, and Implementation Regulations for the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on 2 August 2002 and last amended with effect from 1 March 2013. These rules provide that Chinese citizens, legal persons or other organisations will, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

Domain Names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), which were promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017, provides that “.CN” and “.zhongguo (in Chinese character)” are China’s national top level domains. Any party that engages in internet information services must use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority and shall not use its domain name to commit any violation.

REGULATIONS

Regulations in Relation to Environmental Protection and Safety

Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》, the “**Environmental Protection Law**”), which was promulgated by SCNPC on 26 December 1989 and last amended with effect from 1 January 2015, provides for a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部) is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility generating pollutants or other hazards to adopt environmental protection measures in its operations and establish an environmental protection responsibility system.

According to (i) the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) which was promulgated by SCNPC on 28 October 2002 and last amended with effect from 29 December 2018, (ii) the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), which was promulgated by State Council on 29 November 1998 and amended with effect from 1 October 2017, (iii) the Interim Measures on the Inspection and Acceptance of Environmental Protection Facilities of the Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the State Environmental Protection Administration (now merged into the Ministry of Ecology and Environment of the PRC) and came into effect on 20 November 2017, and (iv) other relevant environmental laws and regulations, enterprises which plan to construct projects shall prepare the assessment reports, assessment form or registration form on the environmental impact of such projects. Such 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. The facilities for the prevention and treatment of environmental pollution required to be constructed together with a construction project based on the environmental impact assessment must be designed, constructed and put into use simultaneously with the main project. After the construction project is completed and before it is put into use, the construction enterprise shall apply for environmental protection acceptance of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

Legal liabilities for any violation of the relevant environmental laws include a fine, order to make correction, restrictions on production, suspension of production for rectification, compulsory shutdown or closedown, or criminal liabilities.

REGULATIONS

Regulations on Pollution Permit

Pursuant to the Regulations on the Administration of Pollutant Discharge Permission (《排污許可管理條例》), which were promulgated by the State Council and came into effect on 1 March 2021, and the Measures for Pollutant Discharge Permitting Administration (《排污許可管理辦法》) which were promulgated by Ministry of Ecology and Environment on 1 April 2024, and came into effect on 1 July 2024, enterprises, public institutions and other producers and business operators shall, in accordance with factors such as the amount of pollutants produced, the amount of pollutants discharged and the extent of their impact on the environment, carry out the management of pollutant discharge permits with a focus, simplified management and pollutant discharge registration. The specific scope of pollutant discharging entities under priority pollutant discharge permitting administration or those under summary pollutant discharge permitting administration shall be governed by the classification administration list of pollutant discharge permitting for fixed pollution sources. The pollutant discharging entity that, in accordance with the law, shall apply for a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the relevant provisions. Those who has not obtained a discharge permit shall not discharge pollutants. The pollutant discharge registration entity that needs to fill out a pollutant discharge registration form shall register its pollutant discharge on the National Pollutant Discharge Permit Management Information Platform.

Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Control of Pollutant Release Permit System (《國務院辦公廳關於印發<控制污染物排放許可制實施方案>的通知》) (promulgated and effective on 10 November 2016) and 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)》) (promulgated and effective on 20 December 2019), the state implements a focused management, a simplification management and a registration management of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The manufacturing of drug substance and manufacturing dose for chemical drugs (except for manufacturing of manufacturing dose for chemical drugs that are simply mixed or repackaged) fall within the industries that are strictly regulated, shall obtain the discharge permit in accordance with the prescribed time limit.

Safety Management Supervision

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) (promulgated on 29 June 2002 and last amended with effect from 1 September 2021), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety of the PRC, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

REGULATIONS

Pursuant to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) (promulgated on 26 January 2002 and last amended with effect from 7 December 2013), the production, storage, use, operation, and transportation of hazardous chemicals shall be in accordance with the safety management regulations. The hazardous chemical units shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education, legal education and occupation technical training for employees. Employees shall accept such education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a position, an enterprise shall only designate employees with such qualification to assume the position.

Regulations in Relation to Labour Protection

General Labour Contract Rules

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which first promulgated by SCNPC on 29 June 2007 and last amended with effect from 1 July 2013, labour contracts shall be concluded in writing if labour relationships are to be or have been established between employers and the employees. Enterprises and institutions are forbidden to force employees to work beyond the time limit and employers must pay employees overtime wages in accordance with national regulations. In addition, wages may not be lower than local standards on minimum wages and shall be paid to the employees timely. According to the Labour Law of the PRC (《中華人民共和國勞動法》) effective as of 1 January 1995 and last amended with effect from 29 December 2018, enterprises and institutions shall establish and perfect a system of work place safety and sanitation, strictly abide by national rules and standards on work place safety and sanitation and educate employees on work place safety and sanitation. Work place safety and sanitation facilities must comply with national standards. The enterprises and institutions shall provide employees with a safe work place and sanitation conditions that are in compliance with national standards and relevant regulations on labour protection.

Social Security and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective on 1 July 2011 and amended with effect from 29 December 2018, the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective on 1 January 2004 and last amended with effect from 1 January 2011, the Interim Measures Concerning the Maternity Insurance for Enterprises Employees (《企業職工生育保險試行辦法》) effective on 1 January 1995, the Interim Regulations Concerning the Levy of Social Insurance (《社會保險費徵繳暫行條例》) effective on 22 January 1999 and amended with effect from 24 March 2019, the Unemployment Insurance Regulations (《失業保險條例》) effective on 22 January 1999, and the Regulations Concerning the Administration of Housing Fund (《住房公積金管理條例》) effective on 3 April 1999 and last amended with effect from 24 March 2019, enterprises and institutions in the PRC are required to contribute, on behalf of their employees, to a number

REGULATIONS

of social security funds, including funds for basic pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as a housing fund and other welfare plans. These payments are made to local administrative authorities, and any employer who fails to contribute may be ordered to correct the deficit within a stipulated time limit and be fined if it still fails to contribute after such stipulated time limit has passed.

Regulations in Relation to Taxation

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》, the “**EIT Law**”), which was promulgated by SCNPC on 16 March 2007 and last amended with effect from 29 December 2018, and Implementation Regulations for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》, the “**Implementation Rules of the EIT Law**”), which came into force on 1 January 2008 and was last amended with effect from 20 January 2025, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%. An enterprise incorporated outside the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise”, meaning that it will be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The Implementation Rules of the EIT Law defines de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting and properties” of the enterprise.

Pursuant to the EIT Law and the Implementation Rules of the EIT Law, non-resident enterprises that do not have an establishment or place of business in China, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business in China, would typically pay an enterprise income tax of 10% for their income sourced from inside China. Such income includes dividends and gains derived from sources within China.

Pursuant to the applicable tax treaties signed between China and the other countries/regions where non-resident enterprises are tax residents, these non-resident enterprises could be subject to a lower enterprise income tax rate (generally 5% if provided for in the tax treaties) on dividends from China. However, these non-resident enterprises need to meet the conditions specified in (1) the applicable tax treaties and (2) Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》, the “**Dividend Clauses Application Notice**”). They also need to pass the beneficial ownership test stipulated in the Announcement of the Certain Issues with Respect to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), issued on 3 February 2018 and effective on 1 April 2018 and list several factors to consider including without limitation, whether the applicant for the tax treaty benefits is obligated to pay more than 50% of its income in twelve months to residents in a third country.

REGULATIONS

In addition, under the Dividend Clauses Application Notice, which was promulgated by the State Taxation Administration (the “STA”) on 20 February 2009 and came into effect on the same date, all of the following requirements shall be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (i) such tax resident who obtains dividends shall be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends. On 3 February 2015, the STA issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, the “**Circular 7**”), which provides comprehensive guidelines relating to indirect transfers of PRC taxable assets by a non-resident enterprise and heightens the PRC tax authorities’ scrutiny over such indirect PRC transfers.

Under the Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets by a non-resident enterprise if there is no reasonable commercial purpose for the non-resident enterprise to dispose equity interest in an overseas holding company which directly or indirectly holds such PRC taxable assets. Under such circumstances, the PRC tax authorities could disregard the existence of such intermediate overseas holding company and consider the transaction to be the non-resident enterprise’s direct transfer of PRC taxable assets subject to EIT Law and the Implementation Rules of the EIT Law. The Circular 7 provides relevant factors to consider when assessing what constitutes reasonable commercial purpose.

The Circular 7 introduces a “safe harbour” scenario for offshore indirect transfers. Qualified internal group restructurings that fulfil all of the following criteria would be considered as having commercial purpose and subsequently no China CIT would be imposed:

- (1) The shareholding relationship of the transaction parties satisfies one of the following:
 - The transferor directly or indirectly owns 80% or more of the equity interest in the transferee; or
 - The transferee directly or indirectly owns 80% or more of the equity interest in the transferor; or
 - 80% or more of the equity interest of both the transferor and the transferee are directly or indirectly held by the same party.

Where more than 50% (not including 50%) of the value of the overseas enterprise is directly or indirectly derived from immovable properties located in China, the shareholding relationship shall be 100%.

REGULATIONS

- (2) The current indirect transfer would not result in a reduction of the CIT burden with respect to gains arising from subsequent indirect transfers; and
- (3) The deal consideration of the transfer is entirely settled in the form of equity (not including the equity of listed enterprises) of the transferee or its subsidiaries.

However, Circular 7 contains certain exemptions including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market and (ii) where there is an indirect transfer of PRC taxable assets but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempt from EIT under an applicable tax treaty or arrangement which China has executed with the country/region where the non-resident enterprise is a tax resident.

STA issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》, the “Circular 37”) on 17 October 2017, which was last amended with effect from 15 June 2018. The Circular 37 further clarifies the practice and procedure of withholding EIT from or payment of EIT by a non-resident enterprise in such circumstances and defines how the capital gain of a non-resident enterprise should be calculated.

Value-added Tax

The Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) was promulgated by State Council on 13 December 1993 and became effective on 1 January 1994, and last amended with effect from 19 November 2017. The Implementation Rules for the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) was promulgated on 25 December 1993, and was last amended with effect from 1 November 2011. According to the aforementioned laws and regulations, all the enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services and the import of goods within the territory of the PRC must pay value-added tax (“VAT”). Standard VAT rates for general VAT payers are 17%, 13%, 11% and 6%, respectively, depending on the nature of the goods and services before 1 May 2018. From 1 May 2018, the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on 4 April 2018 and effective on 1 May 2018 reduced the applicable VAT rates for general VAT taxpayers to 16%, 10% and 6%, respectively. Pursuant to 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》), effective from 1 April 2019, the applicable VAT rates for general VAT taxpayers were further reduced to 13%, 9% and 6%, respectively.

REGULATIONS

Macau Corporate Income Tax

Pursuant to Macau Special Administrative Region Law no. 15/2018 (“**Law 15/2018**”), all offshore licenses have expired on 1 January 2021. Macau commercial offshore companies (“**MCOs**”) that choose not to cease their business can continue operating in compliance with applicable laws for Macau registered onshore companies. As a consequence of the abolishment of MCOs, the exemptions from income tax, industrial tax, professional tax and some stamp duties (i.e. insurance policy, contract establishment, bank transaction, capital increase) previously applying under Decree-Law No. 58/99/M, from which Eddingpharm (Asia) Macau also benefited, no longer apply starting on 1 January 2021.

Former MCOs are currently treated for all effects and purposes as regular onshore commercial companies, being ruled by the same legal framework as the latter, such as the provisions of the Macau Commercial Code, approved by Decree-Law 40/99/M dated 3 August 1999 and tax regulations. Under relevant tax regulations of Macau income tax is imposed on a progressive rate scale ranging from 3% to 9% for assessable profits below or equal to MOP300,000 and 12% for assessable profits over MOP300,000. Assessable profits below MOP32,000 are exempt from tax. With effect from 2014 until 2025, exemption allowance for corporate income tax assessment has been increased to MOP600,000 under the various annual budget laws approved by the Macau Government, the latest by Law No. 25/2024 dated 31 December 2024 effective for the year of 2025. This increased amount of exempted profit is approved on an annual basis as a temporary relief measure and with no assurance of further extension in the following years.

Employee Stock Option Plans

On 12 October 2021, STA issued a Notice on Several Measures to Further Deepening the Taxation Reform of “Delegating the Power, Streamlining the Administration and Optimising the Government Services” to Cultivate and Stimulate the Vitality of Market Players (《關於進一步深化稅務領域“放管服”改革培育和激發市場主體活力若干措施的通知》, the “**Taxation Reform Notice**”), which stipulates that companies shall file information with competent tax authorities about the employee stock option plans within 15 days of the following month after making decisions to adopt such plans. For those companies that have adopted and are implementing employee stock option plans as of the date of the Taxation Reform Notice, the relevant information shall be filed for record by the end of 2021. In addition, domestic Chinese companies, that grant to employees equity incentives exercisable for or based on the equity of overseas companies, shall be obligated to withhold personal income tax with respect to the equity incentives which will be deemed income from wages and salaries.

Regulations in Relation to Data Security and Privacy

Personal Information Protection

According to the Civil Code of the PRC (《中華人民共和國民法典》), personal information refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify specific natural persons, including the personal names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The personal information of a natural person shall be protected by the law. Any organisation or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make the personal information of others publicly available.

Pursuant to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) promulgated by the SCNPC on 20 August 2021 and became effective on 1 November 2021, personal information shall be processed (including the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information) following the principles of lawfulness, legitimacy, necessity and integrity, and shall not be processed through misleading, fraudulent, coercive or other means. The processing of personal information shall have a clear and reasonable purpose, and shall be directly related to the purpose of processing, and should adopt a method that has the least impact on personal rights and interests. The collection of personal information should be limited to the minimum scope of achieving the purpose of processing, and excessive collection of personal information shall not be allowed. Processing of personal information shall follow the principles of openness and transparency, with personal information processing rules disclosed. The purpose, manner and scope of processing should be explicitly disclosed. Personal information processors shall be responsible for their personal information processing activities and take necessary measures to ensure the security of the personal information processed.

On 22 February 2023, the Cyberspace Administration of China (“CAC”) promulgated the Standard Contract Measures for the Export of Personal Information (《個人信息出境標準合同辦法》) (the “**Standard Contract Measures**”) as well as the standard contract for the export of personal information (the “**Standard Contract**”), which came into effect on 1 June 2023. The Standard Contract Measures provide a six-month grace period for personal information export acts which commenced prior to 1 June 2023. Personal information processors eligible to use the Standard Contract shall revise their data export processes and procedures to comply with the Standard Contract Measures and the Standard Contract.

REGULATIONS

Data Security and Data Cross-Border Transfer

Pursuant to the Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on 10 June 2021 and became effective on 1 September 2021, data processing activities (including the collection, storage, use, processing, transmission, provision and disclosure of data) shall be carried out in accordance with the provisions of laws and regulations, a whole-process data security management system should be established and improved, data security education and training should be organised and carried out, and corresponding technical measures and other necessary measures should be taken to ensure data security. The use of the internet or other information networks to carry out data processing activities shall fulfil the aforementioned data security protection obligations based on the cybersecurity classified protection system. Processors of important data should specify the person responsible for data security and management agencies to implement data security protection responsibilities. On 22 March 2024, the CAC promulgated the “Regulations on Promoting and Regulating Cross-Border Data Flow (**“Regulation on Cross-Border Data Flow”**)” (《促進和規範數據跨境流動規定》), which came into effect from the date of promulgation. The Regulation on Cross-Border Data Flow provides that a data processor that provides data to an overseas recipient and meets any of the following conditions shall apply to the national cyberspace administration for a security assessment of outbound data transfer through the provincial cyberspace administration at the place where it is located: (i) a critical information infrastructure operator that provides any personal information or important data to an overseas recipient; (ii) a data processor, other than a critical information infrastructure operator, that provides any important data to an overseas recipient, or that has cumulatively provided the personal information (excluding sensitive personal information) of not less than 1 million individuals or the sensitive personal information of not less than 10,000 individuals to overseas recipients as of 1 January of the current year. According to the Regulation on Cross-Border Data Flow, where, as of 1 January of the current year, a data processor, other than a critical information infrastructure operator, has cumulatively provided to an overseas recipient the personal information (excluding sensitive personal information) of not less than 100,000 individuals but less than 1 million individuals or the sensitive personal information of less than 10,000 individuals, the data processor shall conclude a standard contract for the outbound transfer of personal information with the overseas recipient, or pass a personal information protection certification.

Regulations in Relation to Overseas Listing

CSRC Filing Requirements for Overseas Offering and Listing

On 17 February 2023, the CSRC released 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 relevant supporting guidelines, which came into effect on 31 March 2023. In accordance with the Overseas Listing Trial Measures, where assets of a domestic enterprise are directly or indirectly listed overseas through single or multiple acquisitions, stock swaps, transfers and other transaction arrangements, the domestic enterprise shall fulfil the filing procedure in accordance with the

REGULATIONS

provisions of paragraph 1 of Article 16 of the Overseas Listing Trial Measure, which stipulates that an issuer conducting overseas initial public offering or listing shall file with the CSRC within three working days after the application documents for offering and listing submitted overseas.

The Overseas Listing Trial Measures also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) financing through listing is expressly prohibited by laws, administrative regulations or relevant rules of the state; (ii) the overseas offering and listing may endanger national security as determined by the relevant competent department under the State Council after examination according to the law; (iii) a domestic enterprise or its controlling shareholder or actual controller has committed a criminal crime of corruption, bribery, embezzlement, misappropriation of property or disrupting the economic order of the socialist market in the last three years; (iv) domestic enterprise is under formal investigation according to the law for being suspected of any crime or major violation of laws and regulations, but no clear conclusions have been made; (v) there is a major dispute over ownership of the equity held by the controlling shareholder or a shareholder controlled by the controlling shareholder or the actual controller.

CSRC Requirements on Confidentiality and Archives Administration for Overseas Offering and Listing

On 24 February 2023, the CSRC, the Ministry of Finance, National Administration of State Secrets Protection and National Archives Administration of China jointly released the revised Provisions on Strengthening the 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》), the “**Archives Administration Provisions**”, which came into effect on 31 March 2023. The Archives Administration Provisions shall apply to both (i) the PRC companies seeking direct listing on the overseas stock exchange and (ii) the PRC operating entities of a foreign company seeking listing on the overseas stock exchange that qualifies as an “indirect listing” (above (i) and (ii) collectively, “**Domestic Companies**”).

According to the Archives Administration Provisions, the Domestic Companies shall establish and implement a solid confidentiality and archives administration system. If a Domestic Company decides to disclose any documents or materials containing state secrets, work secrets of governmental agencies or any information that may be detrimental to national security or public interest once leaked, proper governmental approval procedures should be followed. After obtaining the governmental clearance, the Domestic Company disclosing such information, as one party, and the securities companies and securities services providers receiving such information, as the other party, shall also enter into non-disclosure agreements, setting forth the confidentiality obligations of the securities companies and securities services providers. When providing above information to the securities companies and securities services providers retained by it, the Domestic Companies are also required to issue a written statement outlining its compliance with the relevant regulatory requirements and procedures.

REGULATIONS

In terms of providing accounting archives or copies thereof to any other entities or persons (such as securities companies, securities services providers and overseas regulators), the Archives Administration Provisions stipulate that relevant governmental procedures should be followed.

Any violation of the above regulations may subject the Domestic Companies to regulatory penalties under the PRC Law of Safeguarding State Secrets (《中華人民共和國保守國家秘密法》) and the PRC Law of Archives (《中華人民共和國檔案法》) and even criminal liabilities to the extent applicable.

OVERVIEW

The history of the Target Group can be traced back to 2001 when Mr. Ni founded the Target Group with his own funds. See “Proposed Directors and Senior Management of the Enlarged Group” for details of the industry background of Mr. Ni. Over the years, the Target Group has evolved with the pharmaceutical industry in China and developed capabilities to explore new business opportunities. In the early years of the Target Group’s business, the primary focus of the Target Group was to build up its expertise in the biopharmaceutical industry, sales and distribution network and cooperation with MNCs, and the Target Group primarily acted as an exclusive marketer and distributor of drugs for MNCs in China. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs with market potential and become an integrated specialty biopharmaceutical company. The Target Group’s high-quality portfolio addresses medical needs in a large or fast-growing therapeutic area, including anti-infectives, CVD, respiratory system diseases and oncology.

MILESTONES

The following table summarises the key milestones and achievements in the Target Group’s history and development:

Year	Event
2001	<ul style="list-style-type: none">• The Target Group was founded.
2008	<ul style="list-style-type: none">• The Target Group began to collaborate with GSK to market and sell Zinacef injection and Zinacef tablet in China.
2015	<ul style="list-style-type: none">• The Target Group obtained the exclusive right from Amarin to develop and commercialise Vascepa in Greater China.
2016	<ul style="list-style-type: none">• The Target Group obtained the exclusive right from Eli Lilly to market and sell Vancocin and Ceclor in China.
2019	<ul style="list-style-type: none">• The Target Group completed the acquisition of the product rights of Vancocin in China and Italy and Ceclor in China as well as the production facility of Ceclor in Suzhou from Eli Lilly.• The Target Group obtained the exclusive right to market and sell Mulpleta in China, Hong Kong and Macau from Shionogi.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Year	Event
2020	<ul style="list-style-type: none">• The Target Group completed the acquisition of the product rights of FPN in China and the Netherlands from GSK.
2021	<ul style="list-style-type: none">• The NMPA accepted for review the NDA for Vascepa in February 2021 and Mulpleta in November 2021, respectively.
2022	<ul style="list-style-type: none">• The CDE began the second-round technical review for Vascepa and Mulpleta.
2023	<ul style="list-style-type: none">• The Phase III study results of Mulpleta were published on Hepatology International which demonstrated its efficacy and safety in Chinese patients with CLD-associated TCP.• The NMPA granted NDA approval for Vascepa in May 2023.• The NMPA granted NDA approval for Mulpleta in June 2023.
2024	<ul style="list-style-type: none">• The application for localisation of FPN manufacturing technology was approved by the NMPA in January 2024.• The NMPA granted NDA approval for Vascepa for the treatment of CRR in June 2024.

MAJOR SHAREHOLDING CHANGES OF THE TARGET GROUP

Early Stage

Mr. Ni started the business of the Target Group in 2001 to engage in pharmaceutical business to bring global high-quality medical resources to patients in China. In 2006, Eddingpharm (Cayman) Inc. (formerly known as Edding Healthcare Holding Limited) was incorporated in the Cayman Islands and became the predecessor holding company of the Target Group. To incentivise and reward certain then senior management and employees for their contribution to the Target Group and certain individual who has provided guidance to Mr. Ni regarding the business development of the Target Group at early stage, Mr. Ni transferred a portion of his equity interest in the Target Group to them through his controlled entities.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Series A Financing and Series A Share Transfer

Pursuant to the series A preferred shares subscription agreement dated 23 May 2008, CPI Ballpark agreed to subscribe for 8,863,636 series A preferred shares of Eddingpharm (Cayman) Inc. (representing 44,318,180 Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision) at an aggregate subscription price of US\$12 million, which was determined after arm's length negotiation with reference to the valuation of the Target Group at that time and fully settled on 29 May 2008 (the “**Series A Financing**”).

Series A Investor	Number of series A preferred shares of Eddingpharm (Cayman) Inc.	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
CPI Ballpark	8,863,636	44,318,180	US\$12,000,000.00
Total	8,863,636	44,318,180	US\$12,000,000.00

Further, pursuant to the share purchase agreement entered into in March 2011, all the series A preferred shares originally held by CPI Ballpark were transferred to the Series A Share Transferees (as defined below) at an aggregate consideration of US\$28.5 million (the “**Series A Share Transfer**”), which was determined after arm's length negotiation with reference to the valuation of the Target Group at that time and fully settled on 23 March 2011. The following table sets forth the details of the Series A Share Transfer.

Series A Share Transferees	Number of series A preferred shares of Eddingpharm (Cayman) Inc.	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
HongShan Capital Growth Fund I, L.P. (“ HongShan Growth Fund ”)	5,425,168	27,125,840	US\$17,444,002.44
HongShan Capital Growth Partners Fund I, L.P. (“ HongShan Growth Partners ”)	129,378	646,890	US\$416,000.05
HongShan Capital GF Principals Fund I, L.P. (“ HongShan Capital GF ”)	665,550	3,327,750	US\$2,139,999.32

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Series A Share Transferees	Number of series A preferred shares of Eddingpharm (Cayman) Inc.	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
OrbiMed Asia Partners, L.P. (formerly known as Caduceus Asia Partners, LP, “OrbiMed Asia Partners”)	466,507	2,332,535	US\$1,499,999.49
Domain Partners VIII, L.P. (“Domain Partners”)	2,160,998	10,804,990	US\$6,948,440.01
DP VIII Associates, L.P. (“DP Associates”) (collectively, the “Series A Share Transferees”)	16,035	80,175	US\$51,558.69
Total	8,863,636	44,318,180	US\$28,500,000.00

Series B Financing

Pursuant to the series B preferred shares purchase agreement dated 30 July 2010, the Series B Investors (as defined below) agreed to subscribe for a total number of 11,013,360 series B preferred shares of Eddingpharm (Cayman) Inc. (representing 55,066,800 Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision) at an aggregate subscription price of approximately US\$24 million (the “**Series B Financing**”). The consideration was determined after arm’s length negotiations with reference to the valuation of the Target Group at the relevant time, and was fully settled on 5 August 2010. The following table sets forth the number of shares subscribed for by the Series B Investors in the Series B Financing.

Series B Investors	Number of series B preferred shares of Eddingpharm (Cayman) Inc.	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
OrbiMed Asia Partners	5,047,790	25,238,950	US\$11,000,001.62
Domain Partners	3,644,080	18,220,400	US\$7,941,076.37
DP Associates	27,040	135,200	US\$58,924.81
HongShan Capital I, L.P. (“HongShan Capital I”)	1,807,109	9,035,545	US\$3,938,000.73

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Series B Investors	Number of series B preferred shares of Eddingpharm (Cayman) Inc.	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
HongShan Capital Partners Fund I, L.P. (“ HongShan Capital Partners ”)	207,648	1,038,240	US\$452,500.18
HongShan Capital Principals Fund I, L.P. (“ HongShan China Principals ”) (collectively, the “ Series B Investors ”)	279,693	1,398,465	US\$609,499.82
Total	11,013,360	55,066,800	US\$24,000,003.53

Series C Financing

To streamline the corporate structure of the Target Group, the Target Group entered into a series of reorganisation steps prior to the Series C Financing (as defined below), pursuant to which Eddingpharm International was incorporated and became the then investment holding company of the Target Group. As part of the Target Reorganisation, all the shares of Eddingpharm (Cayman) Inc. in issue were converted to ordinary shares of Eddingpharm International by way of share swap.

On 31 March 2015, Newquest Asia Investments II Limited (“**Newquest Asia**”), OrbiMed Asia Partners and Double Prestige Holdings Limited (“**Double Prestige**”) entered into a purchase agreement with, among others, Eddingpharm International and Mr. Ni, pursuant to which Newquest Asia, OrbiMed Asia Partners and Double Prestige agreed to subscribe and purchase convertible bonds of Eddingpharm International with a principal amount of US\$15 million, US\$2 million and US\$5 million, respectively. The purchase amounts were fully settled on 14 April 2015. On 29 February 2016, OrbiMed Asia Partners and Double Prestige exercised the conversion right to convert the outstanding convertible bonds with the respective principal amount plus accrued interest into series C ordinary shares of Eddingpharm International at a conversion price of US\$3.215 per share (the “**Series C Financing**”). The conversion price was determined after arm’s length negotiations with reference to the valuation of the Target Group at the date of the issuance of convertible bonds. The convertible bond issued to Newquest Asia was fully repaid. The following table sets forth the details of the Series C Financing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Series C Investors	Number of series C ordinary shares of Eddingpharm International	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
OrbiMed Asia Partners	690,513	3,452,565	US\$2,220,000
Double Prestige (collectively, the “Series C Investors”)	1,726,283	8,631,415	US\$5,550,000
Total	2,416,796	12,083,980	US\$7,770,000

Series D Financing

In order to further streamline the corporate structure, the Target Group underwent reorganisation steps, pursuant to which Eddingpharm Cayman became the then investment holding company of the Target Group through which the Target Group completed subsequent financings. Pursuant to the investor series D ordinary shares subscription agreement dated 22 October 2016, Novel Insight Investments Limited (“**Novel Insight**”, or the “**Series D Investor**”) agreed to subscribe for 5,680,481 series D ordinary shares of Eddingpharm Cayman (representing 28,402,405 Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision) at a consideration of US\$30 million (the “**Series D Financing**”). The consideration was determined after arm’s length negotiations with reference to the valuation of the Target Group at the relevant time and was fully settled on 8 November 2016.

Series D+ Financing

Pursuant to a share purchase agreement and the investor series D+ ordinary shares subscription agreement, each dated 8 January 2019, Pink Crystal China Fund, L.P. (“**Pink Crystal**”, or the “**Series D+ Investor**”) agreed to purchase 849,232 ordinary shares (representing 4,246,160 Target Shares (the “**Series D+ Transferred Target Shares**”) as adjusted after the Target Reorganisation and the Target Share Subdivision) of Eddingpharm Cayman from Most Sunny Investments Limited (“**Most Sunny**”), a company wholly owned by Eddingpharm International and ultimately controlled by Mr. Ni, at a consideration of US\$2.5 million and subscribe for additional 6,624,009 series D+ ordinary shares of Eddingpharm Cayman (representing 33,120,045 Target Shares (the “**Series D+ Subscription Target Shares**”) as adjusted after the Target Reorganisation and the Target Share Subdivision) at a consideration of US\$37.5 million (collectively, the “**Series D+ Financing**”). Simultaneously, the ordinary shares being purchased from Most Sunny as part of the Series D+ Financing were reclassified as the series D+ ordinary shares of Eddingpharm Cayman. The consideration was determined after arm’s length negotiation with reference to the valuation of the Target Group at the relevant time and was fully settled on 18 January 2019.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Series E Financing

Pursuant to the investor series E ordinary shares subscription agreement dated 3 April 2019 and a side agreement dated 11 April 2019, the Series E Investors (as defined below) agreed to subscribe for a total number of 24,647,325 series E ordinary shares of Eddingpharm Cayman (representing 123,236,625 Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision) at a total consideration of US\$140 million (the “**Series E Financing**”). The consideration was determined after arm’s length negotiation with reference to the valuation of the Target Group at the relevant time and was fully settled on 29 July 2019. The following table sets forth the number of shares subscribed by the Series E Investors in the Series E Financing.

Series E Investors	Number of series E ordinary shares of Eddingpharm Cayman	Number of Target Shares as adjusted after the Target Reorganisation and the Target Share Subdivision	Investment amount paid
OrbiMed Asia Partners	1,408,419	7,042,095	US\$8,000,000
OrbiMed Asia Partners III, L.P. (“OrbiMed III”)	7,394,197	36,970,985	US\$42,000,000
HSG Growth V Holdco Q, Ltd. (“HSG Growth”)	3,521,046	17,605,230	US\$20,000,000
Pink Crystal	1,760,523	8,802,615	US\$10,000,000
Novel Sky Global Limited (“Novel Sky”)	3,521,046	17,605,230	US\$20,000,000
SPDB International (Hong Kong) Limited (“SPDB International”)	2,640,785	13,203,925	US\$15,000,000
Suremoment Investments (collectively, the “Series E Investors”)	4,401,309	22,006,545	US\$25,000,000
Total	24,647,325	123,236,625	US\$140,000,000

ABAX Warrants

Historically the Target Group entered into certain warrant instruments as part of the loans provided by Abax, details of which are set forth in “Financial Information of the Target Group – Indebtedness – Bank and Other Borrowings”.

Eddingpharm Cayman entered into two warrant issue agreements with Abax Asian Structured Credit Fund II, LP (“**ABAX II**”) in November 2016 (the “**2016 ABAX Warrant**”) and October 2017 (the “**2017 ABAX Warrant**”), pursuant to which Eddingpharm Cayman issued to ABAX II two tranches of warrants, each in a maximum amount of US\$10 million in connection with the loan facilities obtained from ABAX II or its affiliate in 2016 and 2017. Further, Eddingpharm Cayman entered into another warrant issue agreement with ABAX Zhuhai Asset Management Centre LP (珠海盤實資產管理中心(有限合夥)) (“**ABAX Zhuhai**”) in June 2018 (the “**2018 ABAX Warrant**”, collectively with the 2016 ABAX Warrant and the 2017 ABAX Warrant, the “**Old ABAX Warrants**”), pursuant to which Eddingpharm Cayman issued a warrant in a maximum amount of RMB65 million in connection with a separate loan facility obtained by the Target Group from ABAX Zhuhai in 2018.

As part of the Target Reorganisation, the Target became the ultimate holding company of the Target Group. On 31 July 2020, Eddingpharm Cayman entered into a series of termination agreements with ABAX II and ABAX Zhuhai, pursuant to which the Old ABAX Warrants were terminated. Simultaneously, the Target Group entered into two warrant re-issue agreements with AASCF II SUB2020 Limited (“**AASCF II**”), an affiliate of ABAX II, and issued to AASCF II, two new warrant instruments, with similar terms and conditions under the 2016 ABAX Warrant (the “**New 2016 ABAX Warrant**”) and the 2017 ABAX Warrant (the “**New 2017 ABAX Warrant**”), respectively. In addition, on the same date, the Target Group entered into another warrant instrument agreement with AASPCF3 Project Arrail Ltd. (“**AASPCF3**”, together with AASCF II, the “**ABAX Entities**”) and issued AASPCF3 a warrant in a maximum amount of US\$10 million with similar terms and conditions under the 2018 ABAX Warrant (the “**2020 ABAX Warrant**”, collectively with the New 2016 ABAX Warrant and the New 2017 ABAX Warrant, the “**New ABAX Warrants**”).

On 6 August 2020, AASCF II exercised the New 2016 ABAX Warrant and the New 2017 ABAX Warrant to their full entitlement. On the same date, AASPCF 3 partially exercised the 2020 ABAX Warrant in an amount of approximately US\$8 million and the remaining amount of the 2020 ABAX Warrant automatically lapsed. As such, there is no outstanding warrant under the New ABAX Warrants since then.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

CS Mezzanine Warrants

In October 2019 and February to March 2020, Eddingpharm Cayman issued two sets of warrants separately to Credit Suisse AG, Singapore Branch (“**Credit Suisse AG**”) on the one hand and to Credit Suisse AG, SPDB International and Ace City Venture Limited (“**Ace City**”) on the other hand, in connection with a mezzanine loan facility up to US\$110 million (the “**Mezzanine Facility**”) provided by them (the “**CS Mezzanine Warrants**”). For details, see “Financial Information of the Target Group – Indebtedness – Bank and Other Borrowings”. As part of the Target Reorganisation, the obligations of Eddingpharm Cayman as borrower under the Mezzanine Facility were novated to the Target, and the CS Mezzanine Warrants were amended and restated such that the Target was substituted as the issuer of the CS Mezzanine Warrants. The exercise price of the Mezzanine Warrants was determined after arm’s length negotiations with reference to the terms of the Mezzanine Facility. On 7 August 2020, the amended and restated CS Mezzanine Warrants were fully exercised for Target Shares.

The following table sets forth the details of the issue of Target Shares upon exercise of the ABAX Warrants and CS Mezzanine Warrants.

Target Shareholders	Number of Target Shares immediately after the exercise of warrants	Exercise price per Target Shares	Number of Target Shares as adjusted after the Target Share Subdivision	Exercise price per Target Share as adjusted after the Target Share Subdivision
AASCF II (under the New 2016 ABAX Warrant)	2,463,688	US\$4.059	12,318,440	US\$0.812
AASCF II (under the New 2017 ABAX Warrant)	2,100,193	US\$4.761	10,500,965	US\$0.952
AASPCF3	1,149,822	US\$6.958	5,749,110	US\$1.392
Credit Suisse AG	1,332,362	Par value	6,661,810	Par value
SPDB International	358,713	Par value	1,793,565	Par value
Ace City	512,447	Par value	2,562,235	Par value

Target Share Subdivision

On 26 June 2021, the Target Group conducted the Target Share Subdivision, pursuant to which each issued and unissued share with par value of US\$0.0001 in the share capital of the Target was sub-divided into five Target Shares of the corresponding class with a nominal or par value of US\$0.00002 each, following which:

1. the authorised share capital of the Target Group was changed to US\$50,000 divided into 2,500,000,000 ordinary Target Shares (including 2,199,525,805 ordinary Target Shares, 44,318,180 series A ordinary Target Shares, 55,066,800 series B ordinary

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

Target Shares, 12,083,980 series C ordinary Target Shares, 28,402,405 series D ordinary Target Shares, 37,366,205 series D+ ordinary Target Shares and 123,236,625 series E ordinary Target Shares), with a nominal or par value of US\$0.00002 each; and

2. the issued share capital of the Target Group consisted of (i) 274,674,410 ordinary Target Shares; (ii) 44,318,180 series A ordinary Target Shares; (iii) 55,066,800 series B ordinary Target Shares; (iv) 12,083,980 series C ordinary Target Shares; (v) 28,402,405 series D ordinary Target Shares; (vi) 37,366,205 series D+ ordinary Target Shares and (vii) 123,236,625 series E ordinary Target Shares, with a nominal or par value of US\$0.00002 each.

ABAX Share Repurchase

On 28 November 2021, AASCF II issued a notice to the Target to exercise its right to request share repurchase by the Target in respect of all Target Shares obtained under the New 2017 ABAX Warrant (i.e. 10,500,965 Target Shares as adjusted after the Target Share Subdivision) at a consideration of approximately US\$10.5 million. On the same date, AASPCF3 issued a notice to the Target to exercise its right to request share repurchase by the Target in respect of all Target Shares obtained under the 2020 ABAX Warrant (i.e. 5,749,110 Target Shares as adjusted after the Target Share Subdivision) at a consideration of approximately US\$9.8 million. The above considerations were determined with reference to the aggregate amounts previously paid by AASCF II and AASPCF3 for the exercise of the New 2017 ABAX Warrant and the 2020 ABAX Warrant respectively plus the outstanding interests payable by the Target under the loan facilities provided previously by the ABAX Entities. The above share repurchase was settled by the Target in November 2021.

On 1 January 2023, AASCF II issued a notice to the Target to exercise its right to request share repurchase by the Target in respect of all Target Shares obtained under the New 2016 ABAX Warrant (i.e. 12,318,440 Target Shares as adjusted after the Target Share Subdivision) at a consideration of approximately US\$10.0 million. The consideration was determined with reference to the aggregate amount previously paid by AASCF II for the exercise of New 2016 ABAX Warrant and was settled by the Target in February 2023.

Following the ABAX Share Repurchase, each of AASCF II and AASPCF 3 ceased to be the Target Shareholder.

CS Share Repurchase

On 25 October 2022, the Target repurchased all Target Shares obtained by Credit Suisse AG, SPDB International and Ace City under the CS Mezzanine Warrants (i.e., 6,661,810 Target Shares, 1,793,565 Target Shares and 2,562,235 Target Shares, respectively, as adjusted after the Target Share Subdivision) at par value. The consideration was determined with reference to the amount previously paid by Credit Suisse AG, SPDB International and Ace City for the exercise of the CS Mezzanine Warrants and was settled in October 2022.

Following the CS Share Repurchase, each of Credit Suisse AG, SPDB International and Ace City ceased to be the Target Shareholder.

Series E Share Repurchase

In February 2023, the Target resolved to repurchase 21,743,984 ordinary Target Shares held by Suremoment Investments at a total consideration of US\$24,701,166.18, and subsequently reclassified 21,743,984 Series E ordinary Target Shares held by Suremoment Investments as ordinary Target Shares. The consideration was determined after arm's length negotiation and equal to the subscription price per share of the Series E Financing (taking into account the Target Share Subdivision) and was offset by the loans payable by Mr. Ni (including entities controlled by him) to the Target Group. At the same time, the Target repurchased (i) 5,300,489 Series E ordinary Target Shares held by HSG Growth at a consideration of US\$6,021,355.18, (ii) 1,838,722 Series E ordinary Target Shares held by OrbiMed III at a consideration of US\$2,088,788.50, (iii) 875,582 Series E ordinary Target Shares held by Novel Sky at a consideration of US\$994,661.13, (iv) 437,791 Series E ordinary Target Shares held by Pink Crystal at a consideration of US\$497,330.57, and (v) 350,233 Series E ordinary Target Shares held by OrbiMed Asia Partners at a consideration of US\$397,864.62. The above considerations were determined after arm's length negotiation and equal to the subscription price per share of the Series E Financing (taking into account the Target Share Subdivision), and were settled on 9 June 2023. The above share repurchases were conducted due to their commercial decisions to partially exit their investment in the Target and the number of the Series E ordinary Target Shares repurchased were determined through arm's length negotiation between the Target, Mr. Ni and other Pre-RTO Investors. All the Target Shares repurchased by the Target had been cancelled.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

The following table sets forth a summary of the changes in shareholding of relevant Pre-RTO investors in relation to the ABAX Share Repurchase, CS Share Repurchase and Series E Share Repurchase.

Target Shareholders	Immediately before		Immediately after		Immediately after		Immediately after		Immediately after	
	the first round of		the completion of the		the completion of CS		the completion of the		the completion of	
	ABAX Share		Share Repurchase in		Share Repurchase		ABAX Share		Series E Share	
	Repurchase		November 2021		Share Repurchase		Repurchase in		Repurchase in	
	Number of		Number of		Number of		Number of		Number of	
	Target		Target		Target		Target		Target	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Suremoment Investments	224,085,465	38.96	224,085,465	40.09	224,085,465	40.90	224,085,465	41.84	202,341,481	40.07
HSG Growth	17,605,230	3.06	17,605,230	3.15	17,605,230	3.21	17,605,230	3.29	12,304,741	2.44
OrbiMed III	36,970,985	6.43	36,970,985	6.61	36,970,985	6.75	36,970,985	6.90	35,132,263	6.96
Novel Sky	17,605,230	3.06	17,605,230	3.15	17,605,230	3.21	17,605,230	3.29	16,729,648	3.31
Pink Crystal	46,168,820	8.03	46,168,820	8.26	46,168,820	8.43	46,168,820	8.62	45,731,029	9.06
OrbiMed Asia Partners	38,066,145	6.62	38,066,145	6.81	38,066,145	6.95	38,066,145	7.11	37,715,912	7.47
AASCF II (under the New										
2016 ABAX Warrant)	12,318,440	2.14	12,318,440	2.20	12,318,440	2.25	–	–	–	–
AASCF II (under the New										
2017 ABAX Warrant)	10,500,965	1.83	–	–	–	–	–	–	–	–
AASPCF3	5,749,110	1.00	–	–	–	–	–	–	–	–
Credit Suisse AG	6,661,810	1.16	6,661,810	1.19	–	–	–	–	–	–
SPDB International	1,793,565	0.31	1,793,565	0.32	–	–	–	–	–	–
Ace City	2,562,235	0.45	2,562,235	0.46	–	–	–	–	–	–

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

MAJOR SUBSIDIARIES OF THE TARGET GROUP

The principal business activities and the dates of the incorporation and commencement of business of the subsidiaries of the Target Group that made a material contribution to its results of operations during the Track Record Period are set forth below:

Name of company	Place of incorporation	Date of incorporation and commencement of business	Registered/Issued share capital	Principal business activities
Eddingpharm (Asia) Macau	Macau	1 February 2002	MOP100,000	Marketing and commercialisation of pharmaceutical products
Eddingpharm Suzhou	PRC	13 December 2017	US\$50.0 million	R&D and marketing of pharmaceutical products
Eddingpharm (Suzhou)	PRC	26 February 2019	RMB820.2 million	Manufacturing and marketing of pharmaceutical products and R&D of innovative drugs

EMPLOYEE INCENTIVE SCHEME

Target Share Option Scheme

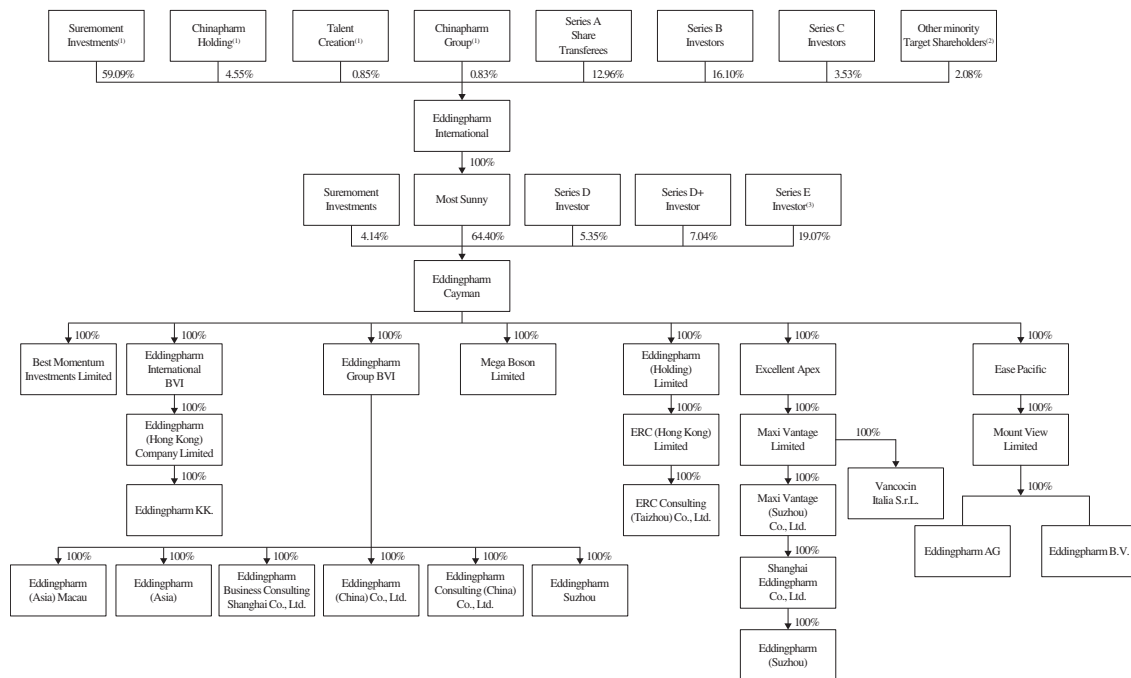
In recognition of the contributions of the employees of the Target Group and incentivize them to further promote the development of the Target Group, the Target adopted the Target Share Option Scheme and granted certain options under the Target Share Option Scheme. In order to provide a fair treatment to the Target Share Option Scheme Grantees and to continue to recognise their contribution or potential contribution to the Enlarged Group following the Merger Closing, the Company proposes to adopt the One-off Share Option Plan. Details and principal terms of which are set forth in “Statutory and General Information – 9. Share Schemes” in Appendix VI to this circular.

TARGET REORGANISATION

Since the inception of the Target Group, the Target Group has gradually become an integrated specialty biopharmaceutical company. In order to streamline the Target Group’s corporate structure, to focus on the key products portfolio of the Target Group and taking into account the strategic business needs of the Target Group, the Target Group underwent the following reorganisation.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

The following chart sets forth the corporate structure of the Target Group immediately before the Target Reorganisation.



- (1) Suremoment Investments and Chinapharm Holding were wholly owned by Mr. Ni. As of the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively. All the other shareholders of Talent Creation and Chinapharm Group are current or former employees of the Target Group.
- (2) Including Duan Hongyu, Lau Yiu Kwan Stanley, Zou Xiaoming, Unicorn Fame Limited, Risehill Investments Limited and Clear Peak Investments Limited, (collectively, the “**Other Minority Target Shareholders**”) that owned 0.15%, 0.07%, 0.29%, 0.06%, 0.96% and 0.55% of Eddingpharm International immediately before the Target Reorganisation, respectively. Save for Duan Hongyu who received her equity interest in the Target Group for guidance provided to Mr. Ni regarding the business development of the Target Group at early stage, each of the Other Minority Target Shareholders or their ultimate beneficial owners is a previous senior management member or a former employee of the Target Group, who received the shares as a reward for his/her contribution to the Target Group.
- (3) The shares held by the Series E Investors do not include those subscribed for by Suremoment Investments as part of the Series E Financing.

Step 1: Incorporation of the Target

The Target was incorporated in the Cayman Islands as an exempted company with limited liability on 8 June 2020. The initial authorised share capital of the Target was US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001. Upon its incorporation, one share was issued and subsequently transferred to Eddingpharm Cayman.

Step 2: Business and corporate restructuring

- Prior to the Target Reorganisation, all the product rights in relation to the Target Group's flagship product portfolio were held by Eddingpharm (Asia) Macau, Eddingpharm (Asia), Vancocin Italia S.r.L., Eddingpharm (Suzhou) and Eddingpharm B.V. and save as disclosed in this section, all the material contracts in relation to clinical trial, marketing and distribution of these products were entered into by Eddingpharm (Asia), Eddingpharm (Asia) Macau and Eddingpharm Suzhou. In addition, prior to the Target Reorganisation, certain of the key employees of the Target Group were employed by Eddingpharm (Hong Kong) Company Limited. In order to restructure all the necessary business and assets held by these subsidiaries into the Target, on 26 June 2020, Eddingpharm Cayman transferred all of its shares in the first-tier subsidiaries that hold such entities, namely Excellent Apex, Eddingpharm Group BVI, Eddingpharm International BVI and Ease Pacific to the Target.
- Meanwhile, a number of entities within the Target Group did not have any material business operations or hold any material assets. These entities include Eddingpharm China, Best Momentum Investments Limited, Mega Boson Limited, Eddingpharm (Holding) Limited, ERC (Hong Kong) Limited and ERC Consulting (Taizhou) Co., Ltd. (the “**Excluded Entities**”), except that Eddingpharm China held certain miscellaneous assets and inventories in relation to the other pharmaceutical products of the Target Group and was the contracting party to certain agreements in relation to these products. In order to streamline the corporate structure, the Excluded Entities are excluded from the Target Group and remained as subsidiaries of Eddingpharm Cayman after completion of the Target Reorganisation. At the same time, Eddingpharm Suzhou entered into an assets and business transfer agreement with Eddingpharm China, pursuant to which Eddingpharm Suzhou purchased relevant miscellaneous assets previously held by Eddingpharm China and was assigned substantially all the contracts in relation to the business previously engaged by Eddingpharm China. Such assets and business transfer was completed on 26 June 2020. To the best knowledge of the Target, none of the Excluded Entities had any material non-compliance during the Track Record Period and up to the Latest Practicable Date.
- *ERC Pharma.* Historically, ERC Pharma was part of the business of the Target Group and engages in R&D of respiratory pharmaceuticals. In 2019, ERC Pharma was spun off from the Target Group in an attempt to seek financing opportunities through private placements independently from the Target Group due to certain potential investors expressing their interest in investing ERC Pharma separately at that time. However, for commercial reasons, the aforementioned private placements did not proceed. As such, considering the Target Group's abundant experience in the development and commercialisation of respiratory pharmaceuticals and the prospects of the pipeline products that ERC Pharma was focusing on, the Target Group believed the re-transfer of ERC Pharma to the Target Group could help the Target Group achieve synergistic effect and capture the opportunity in the vast respiratory market in China. Therefore, on 26 June 2020, ERC (BVI) Investment Holdings Limited (“**ERC BVI**”), as the parent company, transferred all its

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

shares in ERC Cayman and indirectly all the shares in ERC Pharma held by ERC Cayman to the Target. Considering that (i) all of ERC Cayman and its subsidiaries' pharmaceutical products had not reached the clinical trial stage; (ii) the group of shareholders or ultimate owners of ERC BVI and the Target was substantially the same; and (iii) ERC Cayman and its subsidiaries recorded negative net assets at the time of the transfer, the consideration of this share transfer was determined at US\$1 by the shareholders of ERC BVI and the Target. The business and assets of ERC Pharma were further integrated with those of Eddingpharm (Suzhou) in order to streamline the business structure.

Step 3: Share swap

On 31 July 2020, Eddingpharm Cayman surrendered all of its shares in the Target. At the same time, the Target issued and allotted an aggregate 106,194,532 shares (representing 530,972,660 Target Shares as adjusted after the Target Share Subdivision) in the Target to all the shareholders of Eddingpharm Cayman (except for Most Sunny) and Eddingpharm International (or their designated affiliate(s)) to mirror the effective shareholding interest held by each of them in Eddingpharm Cayman immediately before the share swap. Accordingly, each of the shareholders of Eddingpharm Cayman (except for Most Sunny) and Eddingpharm International (or their designated affiliate(s)) prior to the share swap became a direct Target Shareholder.

In order to streamline the shareholding structure, on 10 September 2024, the Target repurchased the Target Shares held by Suremoment Investments, Chinapharm Holding, and Double Prestige for certain consideration, and issued the same class and number of Target Shares to the sole shareholder of each of Suremoment Investments, Chinapharm Holding, and Double Prestige (namely Mr. Ni, with respect to Suremoment Investments and Chinapharm Holding, and Ms. Bao Wei, with respect to Double Prestige) at the subscription price equivalent to the relevant repurchase consideration.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, save for the Merger, the Target Group did not conduct any major business acquisitions, disposals or mergers.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

CAPITALISATION TABLE OF THE TARGET

The following sets forth a summary of the Target's capitalisation table upon completion of the Target Reorganisation and as of the Latest Practicable Date.

Name of Target Shareholders	Ordinary Target Shares	Series A	Series B	Series C	Series D	Series D+	Series E	Aggregate number of Target Shares as of the date of this circular	Shareholding percentage in the Target as of the date of this circular
		ordinary Target Shares	ordinary Target Shares	ordinary Target Shares	ordinary Target Shares	ordinary Target Shares	ordinary Target Shares		
Mr. Ni	222,224,420	–	–	–	–	–	262,561	222,486,981	44.06%
Talent Creation	2,900,000	–	–	–	–	–	–	2,900,000	0.57%
Chinapharm Group	2,850,000	–	–	–	–	–	–	2,850,000	0.56%
Other minority Target Shareholders	7,113,865	–	–	–	–	–	–	7,113,865	1.41%
HongShan Growth Fund	–	27,125,840	–	–	–	–	–	27,125,840	5.37%
HongShan Growth Partners	–	646,890	–	–	–	–	–	646,890	0.13%
HongShan Capital GF	–	3,327,750	–	–	–	–	–	3,327,750	0.66%
HongShan Capital I	–	–	9,035,545	–	–	–	–	9,035,545	1.79%
HongShan Capital Partners	–	–	1,038,240	–	–	–	–	1,038,240	0.21%
HongShan China Principals	–	–	1,398,465	–	–	–	–	1,398,465	0.28%
HSG Growth	–	–	–	–	–	–	12,304,741	12,304,741	2.44%
OrbiMed Asia Partners	–	2,332,535	25,238,950	3,452,565	–	–	6,691,862	37,715,912	7.47%
OrbiMed III	–	–	–	–	–	–	35,132,263	35,132,263	6.96%
Domain Partners	–	10,804,990	18,220,400	–	–	–	–	29,025,390	5.75%
DP Associates	–	80,175	135,200	–	–	–	–	215,375	0.04%
Ms. Bao Wei	–	–	–	8,631,415	–	–	–	8,631,415	1.71%
Pink Crystal	–	–	–	–	–	37,366,205	8,364,824	45,731,029	9.06%
Novel Insight	–	–	–	–	28,402,405	–	–	28,402,405	5.62%
Novel Sky	–	–	–	–	–	–	16,729,648	16,729,648	3.31%
SPDBI Eagle Limited ⁽¹⁾	–	–	–	–	–	–	13,203,925	13,203,925	2.61%
Total	235,088,285	44,318,180	55,066,800	12,083,980	28,402,405	37,366,205	92,689,824	505,015,679	100.00%

Note:

- (1) SPDBI Eagle Limited is an affiliate of SPDB International, which is designated by SPDB International to hold the corresponding Target Shares.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

PRE-RTO INVESTMENTS

Overview

Historically, the Target Group has undergone several rounds of Pre-RTO Investments. See “– Major Shareholding Changes of the Target Group”.

Principal Terms of the Pre-RTO Investments

Principal terms of the Pre-RTO Investments are set out below.

	Series A Financing	Series A Share Transfer	Series B Financing	Series C Financing	Series D Financing	Series D+ Financing	Series E Financing	New ABAX Warrants	CS Mezzanine Warrants
Cost per Target Share paid (as adjusted after the Target Share Subdivision)	US\$0.27	US\$0.643	US\$0.436	US\$0.643	US\$1.056	US\$1.070 ⁽³⁾	US\$1.136	New 2016 ABAX Warrant: US\$0.812 New 2017 ABAX Warrant: US\$0.952 2020 ABAX Warrant: US\$1.392	Par value
Discount to the Price Per Target Share	77.3%	45.9%	63.3%	45.9%	11.2%	10.0%	4.5%	New 2016 ABAX Warrant: 31.7% New 2017 ABAX Warrant: 20.0% 2020 ABAX Warrant: (17.0)%	Not applicable ⁽¹⁾
Number of Target Shares subscribed (as adjusted after the Target Share Subdivision)	44,318,180	44,318,180	55,066,800	12,083,980	28,402,405	37,366,205	123,236,625	28,568,515 ⁽²⁾	11,017,610 ⁽²⁾
Date on which investments were fully settled	29 May 2008	23 March 2011	31 August 2010	14 April 2015	8 November 2016	18 January 2019	29 July 2019	7 August 2020	7 August 2020
Use of proceeds from the Pre-RTO Investments	For (i) acquisition of pharmaceutical assets; (ii) repayment of funded debts; and/or (iii) general working capital of the Target Group. As of the Latest Practicable Date, all the proceeds from the Pre-RTO Investments had been fully utilised.								
Strategic benefits of the Pre-RTO Investments	At the time of the Pre-RTO Investments, the Target believed that (i) the Target would benefit from the additional capital provided by the Pre-RTO Investors and their knowledge and experience; and (ii) the Pre-RTO Investments demonstrated the Pre-RTO Investors' confidence in the operation and development of the Target Group.								

Notes:

- (1) The CS Mezzanine Warrants were issued to the creditors of the loan facilities with an exercise price of par value. Therefore, the discount of the exercise price to the Price Per Target Share is not applicable.
- (2) These Target Shares were repurchased by the Target. See “– Major Shareholding Changes of the Target Group – ABAX Share Repurchase” and “– Major Shareholding Changes of the Target Group – CS Share Repurchase” for details.
- (3) Representing the total consideration of Series D+ Transferred Target Shares and Series D+ Subscription Target Shares divided by the sum of Series D+ Transferred Target Shares and Series D+ Subscription Target Shares, among which, the cost per Series D+ Subscription Target Share is higher than that of Series D Financing, while the cost per Series D+ Transferred Target Share is lower than that of Series D Financing because it involves a sale between transferor and purchaser in relation to existing shares of the Target based on mutually agreed terms.

Special Rights of the Pre-RTO Investors

The Target and the Pre-RTO Investors, among others, entered into an investor rights agreement on 31 July 2020 (the “**Investor Rights Agreement**”), pursuant to which, the Pre-RTO Investors were granted certain special rights, including but not limited to (i) the rights to inspect the book and accounting records, to make extracts and copies therefrom and to have full access to each Target Group member’s property, assets, officers, key employees, accountants and other advisers; (ii) the registration rights including demand and piggyback registration rights; (iii) the preemptive rights to purchase the newly issued shares on a pro rata basis; (iv) the co-sale rights; (v) the rights of first offer; (vi) the come-along right to pursue a trade sale of the Target; (vii) anti-dilution right; (viii) right to nominate directors; and (ix) certain protective provisions. All special rights of the Pre-RTO Investors will be terminated upon the completion of the Merger Closing.

Information about the Pre-RTO Investors

HSG (formerly known as Sequoia China)

Each of HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P., HongShan Capital Principals Fund I, L.P., HongShan Capital Growth Fund I, L.P., HongShan Capital GF Principals Fund I, L.P. and HongShan Capital Growth Partners Fund I, L.P. is a limited partnership formed under the laws of the Cayman Islands. The general partner of each of HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P. and HongShan Capital Principals Fund I, L.P. is HongShan Capital Management I, L.P. (“**HSG Management I**”). The general partner of each of HongShan Capital Growth Fund I, L.P., HongShan Capital GF Principals Fund I, L.P. and HongShan Capital Growth Partners Fund I, L.P. is HongShan Capital Growth Fund Management I, L.P. (“**HSGGF Management I**”). As of the Latest Practicable Date, each of the limited partners who held more than 30% of partnership interest in HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P., HongShan Capital Principals Fund I, L.P., HongShan Capital Growth Fund I, L.P., HongShan Capital GF Principals Fund I, L.P. and HongShan Capital Growth Partners Fund I, L.P. was an independent third party of the Target Group. As at the Latest Practicable Date, Mr. Neil Nanpeng Shen and his associate hold 30% or more limited partnership interest in HongShan Capital GF Principals Fund I, L.P. and HongShan Capital Partners Fund I, L.P. Other than the aforesaid, no other limited partner hold more than 30% interest in each of HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P., HongShan Capital Principals Fund I, L.P., HongShan Capital Growth Fund I, L.P., HongShan Capital GF Principals Fund I, L.P. and HongShan Capital Growth Partners Fund I, L.P.

HSG Growth V Holdco Q, Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Its sole shareholder is HongShan Capital Growth Fund V, L.P., whose general partner is HSG Growth V Management, L.P. (“**HSGG V Management**”).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

The general partner of each of HSG Management I, HSGGF Management I and HSGG V Management is HSG Holding Limited, a company incorporated in the Cayman Islands. HSG Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Mr. Neil Nanpeng Shen, an independent third party of the Target Group.

OrbiMed

OrbiMed Asia Partners, L.P. (“**OAP**”) is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of OrbiMed Asia Partners, L.P. is OrbiMed Asia GP, L.P. (“**OAP GP**”), and the general partner of OrbiMed Asia GP, L.P. is OrbiMed Advisors Limited (“**Advisors**”). OrbiMed Asia Partners III, L.P. (“**OAP III**”) is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of OrbiMed Asia Partners III, L.P. is OrbiMed Asia GP III, L.P. (“**OAP GP III**”), and the general partner of OrbiMed Asia GP III, L.P. is OrbiMed Advisors III Limited (“**Advisors III**”). OrbiMed Advisors LLC (“**OrbiMed Advisors**”) is the advisory company of OAP and OAP III. By virtue of such relationships, OrbiMed Advisors may be deemed to have voting power and investment power over the securities held by OAP and OAP III and as a result, may be deemed to have beneficial ownership over such securities. OrbiMed Advisors exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and W. Carter Neild, each of whom is an independent third party of the Target Group. As of the Latest Practicable Date, none of the limited partners of OAP and OAP III held more than 30% partnership interest of each entity. Both OAP and OAP III focus on medical and healthcare investments in Asia.

Domain

Domain Partners and DP Associates are healthcare-focused venture capital funds formed in 2009. The general partner of each entity is One Palmer Square Associates VIII, L.L.C., a venture capital firm focusing on life-sciences sector. As of the Latest Practicable Date, One Palmer Square Associates VIII, L.L.C. is ultimately controlled by its four individual managing members (James C. Blair, Brian K. Halak, Jesse I. Treu and Nicole Vitullo, each a professional investor with decades’ experience in venture and emerging growth companies and each an independent third party of the Target Group) who share voting and investment control over the holdings of Domain Partners and DP Associates. As of the Latest Practicable Date, none of the limited partners of Domain Partners and DP Associates held more than 30% of partnership interest.

Double Prestige and Ms. Bao Wei

Double Prestige is an investment vehicle established under the laws of British Virgin Islands, whose beneficial owner is Ms. Bao Wei, a professional individual investor and an independent third party of the Target Group.

Ms. Bao Wei has over ten years’ experience in financial institutions and private equity fund companies. As of the Latest Practicable Date, Ms. Bao Wei served as the partner of Liben Assets Ltd, a multi-billion RMB fund with focus on secondary market.

Pink Crystal

Pink Crystal is an exempted limited partnership established in the Cayman Islands with over 20 limited partners, none of which holds more than one third of the interest in Pink Crystal. The general partner of Pink Crystal is Parallel Universes Asset Management Limited which is ultimately controlled by Li Eric, an independent third party of the Target Group. As of the Latest Practicable Date, Li Eric has over five years' experience in private equity investment and also served as the director of Parallel Universes Asset Management Limited. Pink Crystal, an investment fund, focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded.

Forebright

Novel Insight and Novel Sky are companies incorporated in the British Virgin Islands, and are special purpose vehicles for the purpose of investing in the Target Group. As of the Latest Practicable Date, Novel Insight was owned 100% by Forebright New Opportunities Fund, L.P. which is a private equity fund focusing on investment opportunities in China in the fields of business services, high-end manufacturing and healthcare and with a total commitment of US\$400 million. The general partner of Forebright New Opportunities Fund, L.P. is FNOF GP Limited, which is wholly owned by Forebright Global Limited, a limited liability company incorporated in the British Virgin Islands on 14 November 2016.

Novel Sky is owned as to 75% by Forebright New Opportunities Fund, L.P. and as to 25% by one of the limited partners of Forebright New Opportunities Fund, L.P.

Forebright New Opportunities Fund, L.P. is managed by Forebright Capital Management Limited which is a corporation licensed by the Hong Kong Securities and Futures Commission to carry out Type 9 regulated activity, i.e. asset management.

SPDBI Eagle Limited

SPDBI Eagle Limited is an exempted company with limited liability and wholly owned by SPDB International (Hong Kong) Limited, which is in turn wholly owned by Shanghai Pudong Development Bank Co., Ltd. Shanghai Pudong Development Bank Co., Ltd. was founded on 28 August 1992 with the approval of the People's Bank of China and has been operating since 9 January 1993. It is a nationwide joint-stock commercial bank that became listed in November 1999 on the Shanghai Stock Exchange (stock code: 600000), the largest consolidated shareholder of which is Shanghai International Group Co., Ltd. (上海國際集團有限公司), a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會).

After due enquiry and to the best knowledge of the Target, other than Suremoment Investments and Dr. David Guowei Wang, all the Pre-RTO Investors and their respective beneficial owners are independent third parties of the Target Group and there is no other relationship between the Pre-RTO Investors and the Enlarged Group.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-RTO Investments was settled more than 28 clear days before the first filing of the New Listing Application; and (ii) the termination or cessation of special rights granted to the Pre-RTO Investors as disclosed in “Special Rights of the Pre-RTO Investors” above, the Joint Sponsors confirm that the investments by the Pre-RTO Investors are in compliance with the sections headed “Timing of Pre-IPO Investment” and “Special Rights of Pre-IPO Investors” set out in Chapter 4.2 of the Listing Guide.

PUBLIC FLOAT

For details, please refer to the shareholding table set out in the section headed “Letter from the Board – Effect of the Proposed Merger on the Shareholding Structure of the Company.”

FREE FLOAT

The Company is expected to satisfy the free float requirement under Rule 8.08A of the Listing Rules upon the Merger Closing with reference to the market price of the Company on the Last Trading Day.

PRC REGULATORY REQUIREMENTS**SAFE Registration in Respect of Circular 37 and Circular 13**

Pursuant to Circular 37 promulgated by the SAFE and came into force on 4 July 2014, a PRC resident must register with the local branches of SAFE before he contributes legal assets or equity interests in China or overseas in an oversea special purpose vehicle, which is directly incorporated or indirectly controlled by such PRC resident for the purpose of overseas investment or financing. In addition, on 13 February 2015, the SAFE promulgated Circular 13, which became effective on 1 June 2015. The aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As of the Latest Practicable Date, Mr. Ni, the Target Controlling Shareholder, was a Hong Kong permanent resident but not a PRC resident, and he is not subject to the registration procedures of the foreign exchange for his overseas investment under Circular 37 or Circular 13.

M&A Rules

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity interest in a domestic non-foreign invested enterprise via an increase in registered capital of the domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise, or which purchases the assets of a domestic non-foreign invested enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a PRC company or enterprise, or a PRC individual, through an offshore special purpose vehicle established or controlled by such company or individual, acquires a domestic non-foreign invested company which is related to such company or individual, approval from MOFCOM is required. According to MOFCOM, after the Foreign Investment Law (the “FIL”) and its implementation regulations became effective on 1 January 2020, the provisions of the M&A Rules remain effective to the extent they do not expressly conflict with the FIL and its implementation regulations.

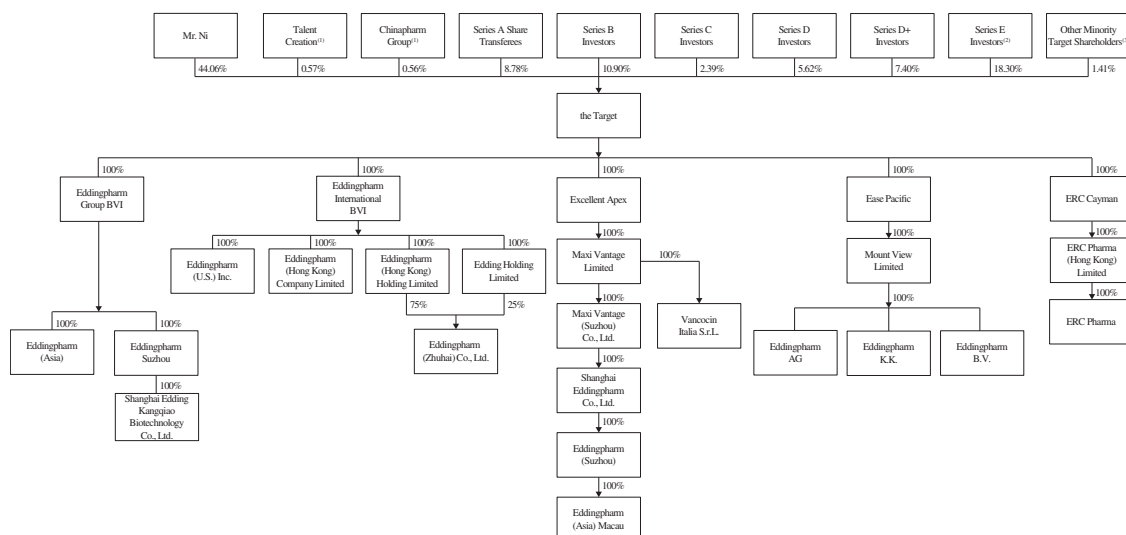
The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the domestic companies in exchange for the shares of offshore companies.

As advised by the PRC Legal Advisers to the Target, as none of the incorporation or acquisition of the PRC subsidiaries of the Target Group involves the merger with or acquisition of the equity or asset of a PRC domestic enterprise, as described under the M&A Rules, the prior CSRC or MOFCOM approval in this regard with respect to the Listing is not required. However, the PRC Legal Advisers to the Target further advise that how the M&A Rules will be interpreted or implemented in the future may evolve simultaneously with the development of regulatory rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

THE CORPORATE AND SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The following chart illustrates the corporate structure of the Target Group as of the Latest Practicable Date and immediately prior to the Merger Closing.

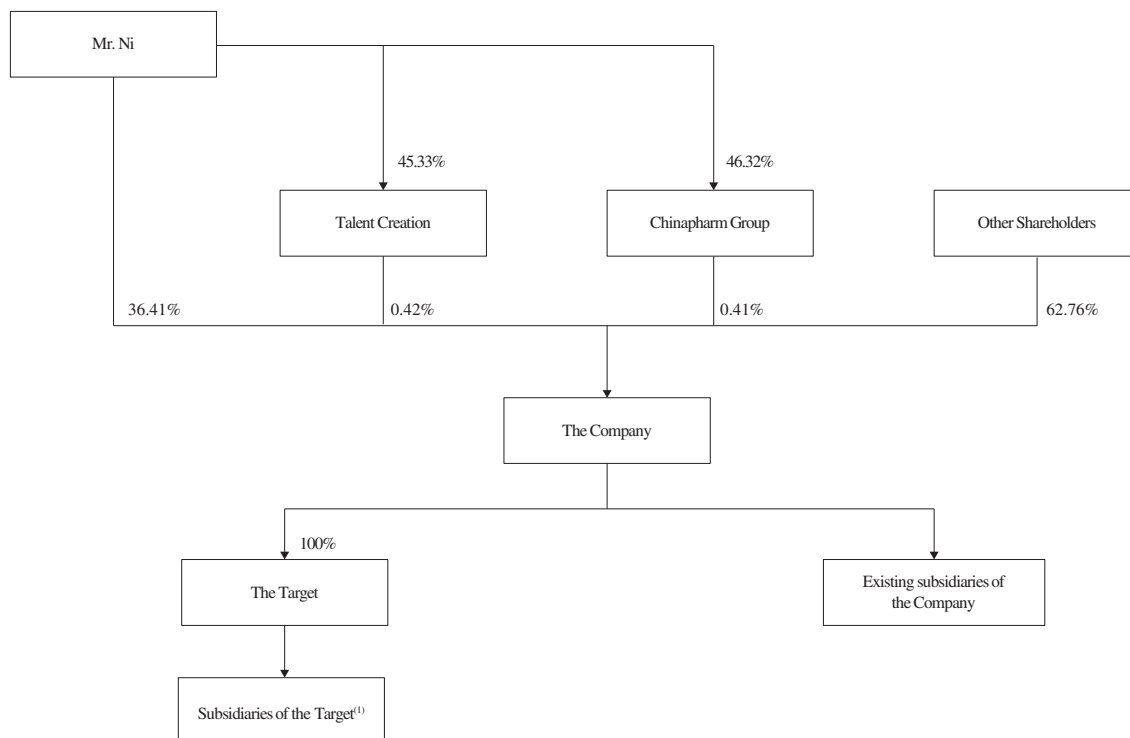


Notes:

- As of the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively. All the other shareholders of Talent Creation and Chinapharm Group are current or former employees of the Target Group, who will not be considered as part of the Controlling Shareholders of the Enlarged Group upon the Merger Closing, for the following reasons: (a) each of Talent Creation and Chinapharm Group was first established by Mr. Ni as his investment holding company to hold the Target Shares in the Target. During the development of the Target, to incentivize and reward certain senior management, employees and consultant of the Target for their contribution to the Target, Mr. Ni transferred part of his interests in Talent Creation and Chinapharm Group to them. As such, the holding of Target Shares by Mr. Ni and the remaining shareholders of Talent Creation and Chinapharm Group is purely out of employee incentive considerations instead of restricting their ability to exercise direct control over the Target by holding their interests through a common investment holding company; (b) the interests in the Target held by Talent Creation and Chinapharm Group are minimal, namely 0.57% and 0.56% as of the Latest Practicable Date; and (c) currently, Mr. Ni is the single largest shareholder and sole director of Talent Creation and Chinapharm Group and owns approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively. Talent Creation and Chinapharm Group are considered Controlling Shareholders of the Enlarged Group upon the Merger Closing only because they are 30% controlled by Mr. Ni. None of the remaining shareholders of Talent Creation and Chinapharm Group is entitled to more than 30% of the equity interest or holds any directorship position in Talent Creation or Chinapharm Group.
- The Target Shares held by the Series E Investors do not include those subscribed for by Suremoment Investments as part of the Series E Financing which are currently held by Mr. Ni.
- Including Duan Hongyu, Lau Yiu Kwan Stanley, Zou Xiaoming, Au Hoi Lee Janet (the beneficial owner of Unicorn Fame Limited), Risehill Investments Limited and Clear Peak Investments Limited, who owned 0.10%, 0.05%, 0.20%, 0.04%, 0.65% and 0.37% of the total issued share capital of the Target, respectively, as of the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE OF THE TARGET GROUP

The following chart illustrates the simplified corporate structure chart of the Enlarged Group immediately upon the Merger Closing and the allotment and issue of Consideration Shares based on the Presumed Maximum Share Exchange Ratio assuming that (a) there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the date of this circular up to and until the Merger Closing Date; and (b) there is no Taxable Target Shareholder.



Note:

(1) For the subsidiaries of the Target, please refer to the chart above.

OVERVIEW

Business of the Group

Set out below is the overview of the business of the Group, which will form part of the Enlarged Group, upon the Merger Closing. The Group is principally engaged in the development and commercialisation of oncology and autoimmune drugs.

During the Track Record Period, the Group has made significant strides in advancing the internal development of key pipeline products, details of which are set out below:

Key Pipeline Products of the Group

- **GB491** is a novel, highly effective, selective, oral bioavailable cyclin-dependent kinases 4 and 6 inhibitor (“**CDK4/6i**”) co-developed by the Group and G1 Therapeutics Inc. for use in combination with endocrine therapy in advanced breast cancer. The innovative molecular structure of GB491 potentially translates to good efficacy, safety and tolerability, unique PK/PD, and has allowed for continuous oral administration of GB491 without the need for treatment breaks. The Group has obtained NDA approval for GB491, (a) in combination with fulvestrant for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients with disease progression following endocrine therapy and (b) in combination with an aromatase inhibitor for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients as initial endocrine-based therapy, from the NMPA.
- **GB261** is a novel and highly differentiated CD3/CD20 bispecific T-cell engager (“**TCE**”) that is potentially a highly effective treatment for B-cell malignancies while offering a differentiated and enhanced safety profile compared with compounds of the same class. GB261 is the first TCE with low affinity to bind CD3 and has Fc functions (ADCC and CDC). GB261 significantly inhibits rituximab-resistant cancer cell proliferation in both *in vitro* assays and *in vivo* models; meanwhile with T-cell activation, GB261 induces less cytokine release compared with compound in the same class. Thus, GB261 is a highly potent bispecific therapeutic antibody for B-cell malignancies. It has potential to be a better and safer TCE with significant competitive advantages over other CD3/CD20 agents. The Company has completed the GB261 Phase I/II lymphoma clinical trial, which was led by Peking University Cancer Hospital and conducted at multiple clinical study sites in Australia and China, and successfully out-licensed GB261 to TRC 2004, Inc., a company co-founded by two leading biotech funds, Two River, LLC and Third Rock Ventures. In August 2024, Candid Therapeutics, Inc. merged with TRC 2004, Inc. In connection with the said merger, TRC 2004, Inc. assigned its rights under the license agreement to Candid Therapeutics, Inc. in December 2024, and the Group and Candid Therapeutics, Inc. entered into an amendment agreement dated 28 March 2025 to amend and supplement certain terms of the license agreement.

BUSINESS OF THE GROUP

- **GB263T** is the first tri-specific EGFR/cMET/cMET antibody in the world, designed with differentiated features, such as targeting EGFR and two different cMET epitopes, to enhance its safety and efficacy profile. GB263T Phase I/II clinical trial was led by Guangdong Provincial People's Hospital. Currently, the dose-escalation was completed in Phase I clinical trial. A total of 15 patients with non-small cell lung cancer had received at least one GB263T treatment. All patients had received previous third-generation EGFR-TKI and platinum-based chemotherapy and the median number of prior lines of systemic therapy was 3. These updated research data have been accepted at the 2024 Congress of the European Society for Medical Oncology (ESMO) and were published on 14 September 2024.
- **GB268** is an innovative and differentiated tri-specific antibody that specifically targets PD-1, CTLA-4 and VEGF, three important pathways involved in cancer immunotherapy and tumour angiogenesis. As demonstrated in pre-clinical *in vivo* studies, GB268 exhibited more significant anti-tumour effects compared to anti-PD-1 monotherapy (Keytruda), anti-PD-1/VEGF bispecific therapy, or anti-PD-1/CTLA-4 bispecific antibody therapy. The Group completed the trial of pre-clinical studies in March 2025 and no significant drug-related toxicity was observed, indicating good safety profile of GB268. CDE accepted the IND application for GB268 (anti-PD-1/VEGF/CTLA-4) on 9 May 2025. On 17 July 2025, the IND application of first-in-human (“**FIH**”) clinical trial for GB268 was approved by the NMPA.

As at the Latest Practicable Date, save for GB491, none of the abovementioned key pipeline drug products has commercialised. Given that NMDA has granted NDA approval for GB491 in respect of two indications in May 2025, the Group has begun to advance the commercialisation of GB491, whilst the other key pipeline drug products of the Company are at clinical development stages. Based on the current commercialisation status, the revenue of the Group for the year ended 31 December 2024 and six months ended 30 June 2025 is primarily generated from the licensing revenue from the license and stock purchase agreements with TRC 2004, Inc.

Regarding other drug product or candidates of the Group, (i) continued internal development of GB226 PD-1 and GB221 have been paused and pending further assessment of development strategy and resource allocation; and (ii) Jiayoujian® 佳佑健® (GB242, Infliximab Biosimilar) was officially approved for marketing by NMPA on 23 February 2022 and had been sold in the PRC in the same year, but the commercialisation and sale of which had been paused since then, after considering its profitability and high production costs.

As regards the strategic direction of the Group's business following the completion of the Merger, as stated in the section headed “Reasons for and benefits of the Proposed Merger” in the letter from the Board of this circular, the Proposed Merger will support the next stage of the business and development of the Group as an integrated biopharmaceutical company. The Proposed Merger is a key step for the Company to transform into a developed and fully integrated biopharmaceutical company. The Group has a robust pipeline of innovative drug

BUSINESS OF THE GROUP

candidates under development and continues to hone its technology platforms to remain at the forefront of the biopharmaceutical industry. The robust and continuous cash flow of the Target Group is expected to provide support to the R&D of the Group's pipeline products, including ongoing and planned clinical trials, indication expansion and preparation for registration filings. Further, the production operations, international supply chain management, MAH management capabilities and commercialisation capabilities possessed by the Target are crucial to the commercialisation and launch of originator-branded drug products.

The Company also expects that the in-house core manufacturing capabilities of the Target Group would be crucial to the commercialisation, production and supply of GB491 as well as the Group's other assets. Hence, the Proposed Merger is expected to bring complementary and synergetic effects to both the Group and the Target Group and lay an important foundation for the sustainable development of the Enlarged Group (including the existing business of the Group) post-Merger Closing. It will shape the Group's strategic priorities for the next phase of growth of its business, which include accelerating the commercialisation of its approved products GB491 in China to build a strong commercial foundation and enhance cash flow generation; prioritizing resources to advance key pipeline assets through critical clinical stages, while leveraging strategic out-licensing partnerships to share development costs, access global expertise, continuing to invest in and optimize its multi-specific antibody technology platform to drive the generation of novel, best-in-class drug candidates; and actively building the commercial, manufacturing, and regulatory capabilities needed to evolve into a fully integrated biopharmaceutical company with a global footprint.

The Group is equipped with advanced technology platforms and strong capabilities across drug innovation, research and development, pre-clinical study, clinical development, registration, and chemistry, manufacturing, and controls processes ("CMC") development. Its technology platforms support the development and optimisation of highly differentiated bsAbs or multi-specific antibodies, with deep expertise in oncology and autoimmune disease biology. Moreover, the Group has over ten years of CMC experience, enabling the development of comprehensive bioprocesses and formulations, and manufacturing pre-clinical and clinical materials with advanced analytical, quality control, and quality assurance systems for compliance.

Leveraging its highly advanced technology platforms and drug development capabilities, the Group has built a strong track record of out-licensing and in-licensing partnerships. It struck two major out-licensing deals in 2024, highlighted by the high-profile licensing of GB261 to TRC 2004, Inc. for the development of GB261 for autoimmune diseases. TRC 2004, Inc. is co-founded by Two River, LLC and Third Rock Ventures, which are both experienced company builders each focused on advancing disruptive therapeutic technologies to patients. In August 2024, Candid Therapeutics, Inc., which secured over US\$370 million from an all-star roster of investors, acquired TRC 2004, Inc. Candid Therapeutics, Inc. is led by seasoned biotech entrepreneurs, including its CEO Ken Song and chief medical and scientific officer Timothy Lu, among other management team members. This collaboration is expected to significantly accelerate the clinical development of GB261 in autoimmune diseases, representing the strong recognition by renowned biotech investors in the Group's drug asset and R&D capabilities.

BUSINESS OF THE GROUP

During the Track Record Period, the Group did not recognise any revenue from the U.S. for sale of products. The Group has entered into a licensing-in agreement in respect of GB491 with a global pharmaceutical company, which does not involve the physical export of controlled technologies from the U.S. to the Group, hence not subject to the aforesaid export control. In respect of commercial rights of the key pipeline products of the Group, the relevant territories of the Company's commercial rights of GB491 are in respect of certain countries in the Asia Pacific and an exclusive worldwide license has been granted to Candid Therapeutics, Inc. to develop, use, manufacture, commercialize and otherwise exploit GB261, excluding the Chinese Mainland, Hong Kong, Macau and Taiwan. During the Track Record Period and up to the Latest Practicable Date, the Company has not exported any finished pharmaceutical products to the U.S. from China, and none of the Company's finished pharmaceutical products have been subject to tariffs in the U.S. In view of the foregoing, the Group did not experience any material adverse impact of tariff or export controls in terms of its R&D development, clinical trials, business operation and financial performance of the Group, including its business cooperation with its U.S. business partners, during the Track Record Period.

COMPETITIVE STRENGTHS OF THE GROUP

Given that the Group will form part of the Enlarged Group post-Merger Closing, set out below are the competitive strengths of the Group, for the Shareholders' reference. The Group's vision is to become a well-established antibody drug development platform in the fields of oncology and autoimmune diseases, developing antibody drugs to benefit patients in China and worldwide. The Group is equipped with advanced technology platforms and strong capabilities across drug innovation, research and development, pre-clinical study, clinical development, registration, and CMC development to develop innovative biologics drugs for oncology and autoimmune therapeutic areas. During the Track Record Period, it has made significant strides in advancing the internal development of key pipeline products and entered into two major licensing and collaboration arrangements with leading industry players to advance its drug development programs.

Robust in-house discovered pipeline of assets with broad potential in oncology and autoimmune diseases

The Group has built a robust and highly differentiated innovative drug pipeline, with four assets that it considers key to its business as well as a number of early-stage programs in development. Details of its key drug candidates are set out below:

- **GB491** is a novel, potent, selective oral bioavailable CDK4/6i co-developed by the Group and G1 Therapeutics Inc. for use in combination with endocrine therapy in advanced breast cancer. On 28 March 2023, the NMPA has officially accepted the NDA of GB491 (Lerociclib) in combination with Fluvestrin for the treatment of HR+/HER2- locally advanced or metastatic breast cancer patients (second-line treatment for advanced breast cancer) with disease progression following previous endocrine therapy, which was approved by the NMPA for launch to the market on 27 May 2025. On 13 March 2024, the NMPA has officially accepted the NDA of

GB491 (GB491) in combination with letrozole for the treatment of HR+/HER2- locally advanced or metastatic breast cancer (first-line treatment for advanced breast cancer) that had not received prior systemic antitumor therapy, which was approved by the NMPA for launch to the market on 27 May 2025.

HR+/HER2- is the most common subtype of advanced breast cancer, accounting for approximately 65% of breast cancer incidence in China. The combination therapy with CDK4/6i has been recommended in multiple guidelines as the preferred regimen for patients with advanced HR+/HER2- breast cancer. In 2024, the market for CDK4/6i in China reached RMB3.1 billion, and is expected to grow to RMB5.5 billion in 2027 at a CAGR of 20.5% and further to RMB11.9 billion in 2030 at a CAGR of 21.3%. While there are four approved CDK4/6i in China, many are associated with adverse effects such as severe myelosuppression and/or diarrhoea and develop resistance over time. The innovative molecular structure of GB491 potentially translates to good efficacy, safety and tolerability, unique PK/PD, and has allowed for continuous oral administration of GB491 without the need for treatment breaks. It achieves sustained target inhibition and antitumor effects while significantly reduces the common adverse effects of CDK4/6 inhibitors, such as severe myelosuppression and diarrhea.

GB491 (Lerociclib) demonstrated a superior efficacy with advantages in terms of safety and tolerance profile in two phase III clinical studies, and hence fully demonstrating the differentiation advantage of GB491 for clinical purposes.

The LEONARDA-1 clinical study has demonstrated that the combination therapy of GB491 with Fluvestran significantly reduce the risk of disease progression and death in HR+/HER2-advanced breast cancer patients following previous endocrine therapy as compared to using Fluvestran as a monotherapy. The investigator-assessed hazard ratio (“**HR**”) was 0.451 and the Blinded Independent Central Review (“BICR”)-assessed HR was 0.353. The median progression free survival (“**mPFS**”) (months) assessed by the investigator and BICR were 11.07 vs. 5.49 and 11.93 vs. 5.75, respectively. Furthermore, the results of all predefined subgroups were consistent with the overall efficacy. The LEONARDA-1 clinical study enrolled a high proportion of refractory patients, including patients with liver metastasis, treated with primary resistance, with four or more metastatic organs, and received first-line chemotherapy at an advanced stage. The use of GB491 substantially improved the PFS of the refractory patients. The LEONARDA-1 clinical study showed that, in comparison with other marketed CDK4/6 inhibitors, GB491 had significant comprehensive advantages in terms of safety and tolerance profile. It recorded a low incidence rate of diarrhea at 19.7%, a relatively low percentage of grade 3/4 myelosuppression, and only a 5.1% incidence rate of grade 4 neutropenia.

The LEONARDA-2 clinical study also demonstrated superior efficacy and safety profile in combination with letrozole for the treatment of HR+/HER2- locally advanced or metastatic breast cancer patients who had not received prior systemic antitumor therapy.

The interim analysis showed that Lerociclib significantly reduced the risks of disease progression and death in patients by more than 50%, based on investigator-assessed PFS: hazard ratio (95% CI) and p-value of 0.464 (0.293, 0.733), $p=0.0004$, respectively; mPFS was not reached in the Lerociclib group and was 16.56 months in the placebo group. PFS based on BICR assessment: hazard ratio (95% CI) and p-value of 0.457 (0.274, 0.761), $p=0.0011$, respectively. The safety advantage was reaffirmed: the overall incidence rate of gastrointestinal adverse events (“AEs”) was low and mild, with grade 3 diarrhea occurred in only one patient (0.7%). No grade $\geq$ nausea or vomiting has occurred, and grade 4 neutropenia occurred in only 5.1% of the patients.

On 16 January 2025, the Nature Communications published the phase III study (LEONARDA-1) results titled “Lerociclib plus fulvestrant in patients with HR+/HER2– locally advanced or metastatic breast cancer who have progressed on prior endocrine therapy: LEONARDA-1 a phase III randomized trial”. LEONARDA-1 Phase III study (ClinicalTrials.gov identifier, NCT05054751) was led by the lead author Prof. Binghe Xu, MD, PhD, the academician of the Chinese Academy of Engineering, the Head of Medical Oncology at Cancer Hospital affiliated with Chinese Academy of Medical Sciences.

On 28 May 2025, the Group entered into a cooperation agreement with the Target and Eddingpharm (Suzhou) regarding GB491, under which the Group (as the MAH of GB491) designated and appointed Eddingpharm (Suzhou) as the domestic responsible person for GB491 in the PRC. On 1 July 2025, the Group entered into a service agreement with the Target Group in respect of GB491, pursuant to which the Target Group shall provide business support service to the Group for research and development, production, import, distribution, tendering and subsequent localized production and marketing of GB491 within the PRC. On 14 July 2025, the Group entered into an exclusive agency agreement with the Target and Eddingpharm (Suzhou) in respect of GB491, under which the Group appointed the Target and Eddingpharm (Suzhou) as the exclusive provider of the agency services in relation to the application of inclusion of GB491 into the NRDL and the post-inclusion implementation work in the PRC. The above agreements were entered into by the parties in their ordinary course of businesses on arm’s length bases.

The transfer of technology for local production of Lerociclib (GB491) has been progressing. The Group have begun to advance the commercialisation for Lerociclib (GB491).

- **GB261** is a novel and highly differentiated CD3/CD20 bispecific TCE that is potentially a highly effective treatment for B-cell malignancies while offering a differentiated and enhanced safety profile compared with compounds of the same class. The most common type of B-cell malignancy is lymphoma, of which non-Hodgkin lymphoma (“NHL”) accounts for around 90% globally. The incidence of NHL was approximately 598.7 thousand in 2024 globally. Rituximab, a

CD20-targeting monoclonal antibody, in combination with chemotherapy is the first-line treatment for many B-cell malignancies, including follicular lymphoma (“**FL**”), diffuse large B-cell lymphoma (“**DLBCL**”) and chronic lymphocytic leukaemia (“**CLL**”). Despite its effectiveness, approximately 40% of FL, 30% of DLBCL and 10-15% of CLL patients develop resistance or relapse after initial treatment. There are three CD3/CD20 TCEs approved globally, with the goal to overcome such resistance, but many are associated with adverse effects from cytokine release syndrome (“**CRS**”).

GB261 is the first TCE with low affinity to bind CD3 and has Fc functions (ADCC and CDC). GB261 significantly inhibits rituximab-resistant cancer cell proliferation in both *in vitro* assays and *in vivo* models; meanwhile with T-cell activation, GB261 induces less cytokine release compared with compound in the same class. Thus, GB261 is a highly potent bispecific therapeutic antibody for B-cell malignancies. It has potential to be a better and safer TCE with significant competitive advantages over other CD3/CD20 agents.

The GB261 Phase I/II lymphoma clinical trial, which was led by Peking University Cancer Hospital and conducted at multiple clinical study sites in Australia and China, has been completed. A favourable safety and pharmacokinetic profile and clinical anti-tumor activities observed in the trials are consistent with the molecular design mechanism of GB261, demonstrating promising efficacy and a favourable safety. The preliminary results of phase I/II study of GB261 were presented at the annual meeting of the 65th American Society of Hematology (ASH) in the poster session: GB261 is a novel and highly differentiated CD3/CD20 bispecific antibody and is the first clinical stage Fc+ CD3/CD20 T cell activator. In heavily pretreated B-NHL failed patients, GB261 showed a highly advantageous safety/efficacy balance. The safety profile of GB261 is excellent especially for the CRS which is very mild, transient and less frequent as compared with other CD3/CD20 bispecific antibodies. The response after GB261 treatment was early, deep and durable. Additionally, clinical benefit is also seen in other CD3/CD20 failed patients, which provides clinical support to the unique and differentiated mechanism of action of GB261.

As a result of GB261’s differentiated design and promising clinical data in NHL, the Group successfully out-licensed GB261 to TRC 2004, Inc., a company co-founded by two leading biotech funds, Two River, LLC and Third Rock Ventures. In August 2024, Candid Therapeutics, Inc. (“Candid”) merged with TRC 2004, Inc. In connection with the said merger, TRC 2004, Inc. assigned its rights under the license agreement to Candid in December 2024, and the Group and Candid, entered into an amendment agreement dated 28 March 2025 to amend and supplement certain terms of the license agreement.

- **GB263T** is the first tri-specific EGFR/cMET/cMET antibody in the world, targeting EGFR and two different cMET epitopes. With highly differentiated design, GB263T exhibits multiple mechanisms of action to inhibit primary and secondary EGFR mutations and cMET signaling pathway simultaneously. EGFR and cMET are both receptor tyrosine kinases that play crucial roles in cellular processes such as proliferation, survival, and migration. Dysregulation or overexpression of these receptors has been implicated in various types of cancer, including non-small cell lung cancer (“**NSCLC**”), colorectal cancer (“**CRC**”), and head and neck squamous cell carcinoma (“**HNSCC**”). EGFR and cMET signalling pathways are known to interact and crosstalk, leading to tumour growth, survival, and metastasis. Simultaneously targeting both EGFR and cMET can effectively inhibit multiple oncogenic pathways, potentially leading to more comprehensive anti-tumour activity. To date, there was only one EFGR/cMET targeting bispecific antibody approved globally.

Adhering to a quality by design principle, the Group designed GB263T with differentiated features, including by targeting two cMET epitopes and EGFR, to enhance its safety and efficacy profile. In pre-clinical studies, GB263T effectively thwarted ligand-induced phosphorylation of EGFR and cMET compared to its Amivantamab (JNJ-372) analogue, and demonstrated better dual inhibition of EGFR and cMET signaling pathways. Meanwhile, GB263T effectively induced the endocytosis of EGFR and cMET, and significantly reduced the protein expression levels of EGFR and cMET. GB263T played a significant dosage-dependent role in tumour suppression in several different tumour models, including EGFR exon 20 insertions, EGFR exon 19 deletions, C797S mutations and various cMET expression abnormalities. In toxicology study in cynomolgus monkeys, no significant drug-related toxic side effects were observed after 4 weeks of observation, even in the high dose group.

GB263T Phase I/II clinical trial was led by Guangdong Provincial People’s Hospital. Currently, the dose-escalation was completed in Phase I clinical trial. A total of 15 patients with non-small cell lung cancer had received at least one GB263T treatment. All patients had received previous third-generation EGFR-TKI and platinum-based chemotherapy and the median number of prior lines of systemic therapy was 3. These updated research data have been accepted at the 2024 Congress of the European Society for Medical Oncology (ESMO) and were published on 14 September 2024. GB263T has shown promising efficacy at the therapeutic dose range (1,260-1,680 mg). The confirmed objective response rate (“**ORR**”) of patients with EGFR-sensitive mutations and resistance to the third-generation TKI treatment and have disease progression at the therapeutic dose range of 1,260/1,680 mg was 28.6%; An apparent benefit was observed in three patients (2 partial responses (“**PR**”) and 1 durable stable disease (“**SD**”)) who have developed drug-resistant cMET changes after a third-generation TKI treatment. As of the date of relevant data, treatment durations are over 12 months (840 mg, SD patients), over 10 months (1,260 mg, PR patients), and over 8 months (1,680 mg, PR patients), respectively.

At the same time, an advantage of safety profile was also demonstrated. The infusion reaction rate was relatively low (33.3%) and mild (no $\geq$ grade 3 infusion reactions); infusion reactions occurred only in 10% of cases at effective doses and were all grade 1; other common treatment-related AEs were rash (60%), fatigue (40%), and paronychia (40%), all of which were mild (grade 1/2); no MET target-related peripheral edema toxicity was reported. No venous thrombosis occurred.

- **GB268** is an innovative and differentiated tri-specific antibody solely developed by the Group that specifically targets PD-1, CTLA-4 and VEGF, three important pathways involved in cancer immunotherapy and tumour angiogenesis. There are currently no PD-1/CTLA-4/VEGF tri-specific antibodies approved in the world. Designing a tri-specific antibody targeting these pathways involves an intricate balance to achieve optimal safety and efficacy. GB268 has a novel molecular design that balances the activity of different arms of the antibody. To reduce the CTLA-4 inhibition-induced AEs, the CTLA-4 arm only partially blocked the interaction of CTLA-4 to its ligands CD80/CD86, and furthermore, the combination of CTLA-4 arm was highly dependent on PD-1 arm. Preclinical data demonstrated the efficient anti-tumor responses of GB268. At the meantime, immune-related AEs are alleviated. Thus, GB268 may emerge as a promising novel therapy for cancer treatment. In multiple PBMC-humanized models including A375 melanoma model, HT29 colorectal cancer model, and NCI-H460 NSCLC model, etc., GB268 exhibited better anti-tumor efficacy, compared to PD-1/CTLA-4 bsAb and PD-1/VEGF bsAb, or in the combination of the three monoclonal antibodies, namely PD-1, CTLA-4 and VEGF.

In arthritis induction model using hPD-1/hCTLA-4 KI mice, GB268 had improved tolerance than cadonilimab and at least 20-fold better safety profile than ipilimumab combined with OPDIVO. During the first half of 2025, GB268 has successfully completed two batches of pilot-scale GMP production, with good consistency between the batches, high purity and good stability, making it suitable for use in clinical study and its Good Laboratory Practice (“GLP”) toxicology study in cynomolgus monkeys with repeated administration for 4 weeks was completed in March 2025. T-cell activation related to pharmacological effects has been observed in the low, medium and high dose groups, with no serious drug-related adverse effects observed, suggesting that the molecule has a favorable safety and efficacy.

CDE accepted the IND application for GB268 (anti-PD-1/VEGF/CTLA-4) on 9 May 2025. On 1 July 2025, the Group entered into a service agreement with the Target Group in respect of GB268 in the ordinary course of business and in arm’s length basis, pursuant to which the Target Group shall provide business support service to the Group for the research and development and production of GB268.

On 17 July 2025, the IND application of FIH clinical trial for GB268 was approved.

BUSINESS OF THE GROUP

Integrated R&D capabilities covering the full drug development lifecycle, highlighted by validated advanced multi-specific antibody technology platform

The Group has developed integrated capabilities from drug discovery to development, CMC and regulatory affairs to drive development across the entire drug lifecycle. Since its inception, the Group has built technology platforms for the development and optimisation of highly differentiated bsAbs or multi-specific antibodies, with deep expertise in oncology and autoimmune disease biology. These platforms encompass advanced drug discovery to engineer novel therapeutic candidates with display technology, computer-aided design and site mutagenesis. Moreover, the Group has accumulated over ten years of CMC experience, enabling the development of comprehensive bioprocesses and formulations, and manufacturing pre-clinical and clinical materials with advanced analytical, quality control, and quality assurance systems for compliance.

Proven track record of global partnerships to maximise pipeline value and drive further growth

Leveraging its highly advanced technology platforms and drug development capabilities, the Group has built a strong track record of out-licensing and in-licensing partnerships. In particular, it struck two major out-licensing deals in 2024, highlighted by the high-profile licensing of GB261 to TRC 2004, Inc. for the development of GB261 for autoimmune diseases. TRC 2004, Inc. is a company co-founded by Two River, LLC and Third Rock Ventures, which are both experienced company builders each focused on advancing disruptive therapeutic technologies to patients. In August 2024, Candid, which secured over US\$370 million from an all-star roster of investors, acquired TRC 2004, Inc.. Candid is led by seasoned biotech entrepreneurs, including its CEO Ken Song and chief medical and scientific officer Timothy Lu, among other management team members. This collaboration is expected to significantly accelerate the clinical development of GB261 in autoimmune diseases, and represents the strong recognition by renowned biotech investors in the Group's drug asset and R&D capabilities.

BUSINESS OF THE TARGET GROUP

OVERVIEW

Business of the Target Group

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs. In over 20 years of operations, the Target Group has successfully brought multiple innovative drugs to market in China, reflecting its strong clinical development and management capabilities. Moreover, the Target Group has demonstrated high-quality manufacturing, supply chain management, technology transfer and quality control systems through operating the production facilities and management systems transferred from MNCs in its historical asset acquisitions.

The Target Group's high-quality product portfolio comprises drug assets that address medical needs in large or fast-growing therapeutic areas, including anti-infectives, CVD, respiratory system diseases and oncology:

Key Products

Therapeutic Area	Product/Product Candidate	Indication	Mechanism of action	Classification	Source**	Acquire/Licensed from	Clinical Trial by the Target Group	Product Right	IND	Phase I/II	Phase III	NDA	Approval/Commercialisation
Originator-branded Products*													
Anti-infectives	Vancocin	MRSA and other infection	Glycopeptides	Originator branded drug	Acquired drug	Eli Lilly	N/A	China, Italy					
	Ceclor	Gram +/- bacterial infections ¹	Cephalosporin	Originator branded drug	Acquired drug	Eli Lilly	N/A	China					
Respiratory System	FPN	Asthma	ICS	Originator branded drug	Acquired drug	GSK	N/A	China, Netherlands					
Innovative Products*													
CVD	Vascepa	Persistent CV risk ^{2,3} Severe HTG ²	EPA	Innovative drug	In-licensed drug	Amarin	N/A Phase I and Phase III clinical trial	Greater China					Approved in the U.S., Lebanon, the United Arab Emirates, Canada, Qatar, the EU, Bahrain, the U.K.
Hematology	Mulpleta	CLD-associated TCP ⁴	TPO-RA	Innovative drug	Acquired drug	Shionogi	PK bridging trial and Phase III clinical trial	China, Hong Kong, Macau, U.S.					Approved in Japan, the U.S. and the EU

* Originator-branded products are originator-branded mature drugs and innovative drugs are newly developed drugs.

** Acquired drugs are drugs for which full ownership has been obtained through an acquisition deal. The Target Group assumes all rights, responsibilities, and revenues associated with the drug. In-licensed drugs are drugs for which specific commercialization rights are obtained through a licensing agreement with the original owner. The licensor retains ownership of the drug, while the Target Group typically pays royalties or milestone payments based on the drug's performance.

BUSINESS OF THE TARGET GROUP

Other Products

Therapeutic Area	Product/Product Candidate	Indication	Mechanism of action	Classification	Source	Acquire/Licensed from	Clinical Trial by the Target Group	Product Right	IND	Phase I/II	Phase III	NDA	Approval/Commercialisation
Oncology	Jing Zhu Da	HR+/HER2-breast cancer	HDAC inhibitor	Innovative drug	Marketing and/or distribution rights	Taizhou EOC	N/A	Chinese mainland					
Others	Recormon	CRA	rhEPOB	Originator branded drug	Exclusive marketing and distribution rights	Roche	N/A	Chinese mainland					
Chronic disease	Three siRNA candidates	Chronic disease ⁵	Undisclosed	Innovative drug	In-licensed drug	Nanopeptide (Qingdao) Biotechnology Ltd.	N/A	Greater China and Southeast Asia	Pre-IND/IND				



Target Group's trial or right



Ex-China Development and Commercialisation Status by Licensor or Seller



Not mandatory to conduct clinical trials

Notes:

1. The Target Group's major cefaclor sub-product, Ceclor Sachet, is a market leading anti-bacterial drug for pediatric use.
2. Persistent CRR and severe HTG reduction are FDA-approved indications. Vascepa received NDA approval from the NMPA for the treatment of severe HTG in May 2023. The Target Group commenced sales of this product for the treatment of severe HTG in China in September 2023. Vascepa later received NDA approval from the NMPA for the treatment of CRR in June 2024.
3. In February 2022, the competent Hong Kong authority approved the Target Group's NDA for the treatment of CRR as an adjunct to maximally tolerated statin therapy to reduce the risk of myocardial infarction, stroke, coronary revascularization, and unstable angina requiring hospitalization in adult patients with elevated TG levels (>150 mg/dL) and established CVD or diabetes mellitus and two or more additional risk factors for CVD.
4. CLD-associated TCP is the indication approved in Japan, the U.S. and the EU. The Target Group received NDA approval for Mulpleta for the treatment of TCP in patients with CLD in June 2023 and commenced sales of this product in November 2023.
5. The Target Group is not the MAH for Recormon and enters into exclusive marketing and distribution agreement for this product. For details, see "Business of the Target Group – Acquisition and In-Licensing Arrangements – Other Arrangements."
6. The Target Group has three pre-clinical siRNA candidates. One of the candidates submitted its IND application in March 2025 and received its IND approval in June 2025, for which the Target Group has completed patient enrollment in the second half of 2025. The other two candidates are nearing PCC confirmation and are expected to enter into IND-enabling stage in 2025.

With the strong market competitiveness and differentiation of these products, the Target Group has driven their market entry and sales growth over the years. The Target Group leverages highly effective and efficient commercialisation capabilities accumulated over the past 20 years, with an MNC-calibre team with deep market insights and a stellar per capita sales track record. Importantly, through years of experience gained from partnering with global MNCs, the Target Group has adopted a high-standard operational and compliance management system to operate with best practices and considerable efficiency, resulting in higher selling and distribution expense efficiency compared to many market peers.

The Target Group supports its product development and sales with a mature manufacturing and supply chain management system, forming a key competitive advantage against competitors. Through asset acquisitions and technology transfers, the Target Group has manufactured Ceclor in-house since 2019 and FPN since 2024. The Target Group has also demonstrated strong international supply chain management capabilities through Vancocin and Mulpleta, and has commenced the localisation of their overseas production. These efforts have not only lowered costs of manufacturing and increased production capacity, but has also established a complete system of workflows and a professional team to support operations for future products.

BUSINESS OF THE TARGET GROUP

Benefitting from a strong product portfolio and efficient operational management, the Target Group has built a strong financial foundation with stable revenue growth, good profitability, and efficient operating cost structure. As a result, the Target Group achieved strong EBITDA growth from RMB768.3 million in 2022 to RMB931.3 million in 2024.

COMPETITIVE STRENGTHS OF THE TARGET GROUP

An integrated specialty biopharmaceutical company with comprehensive capabilities and a robust and competitive product portfolio of originator-branded drugs and innovative drugs

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs. In over 20 years of operations, the Target Group has successfully brought multiple innovative drugs to market in China, reflecting its strong clinical development and management capabilities. Moreover, the Target Group has demonstrated high-quality manufacturing, supply chain management, technology transfer and quality control systems through operating the production facilities and management systems transferred from MNCs in its historical asset acquisitions.

- Vancocin, as the originator-branded product of vancomycin, stands out as a dominant player in the treatment of methicillin-resistant *Staphylococcus aureus* (“MRSA”) infections. Vancomycin is the gold standard for treating MRSA infections, with Vancocin capturing a 57.7%, 61.5%, 65.0% and 78.7% share in vancomycin drug market in China in terms of 2022, 2023, 2024 and first half 2025 sales revenue, respectively. The Target Group’s sales of Vancocin amounted to RMB1,007.1 million in 2022, RMB1,068.8 million in 2023, RMB1,262.9 million in 2024 and RMB716.7 million in the six months ended 30 June 2025.
- Ceclor is a leading originator-branded product globally and in China for the treatment of respiratory infections in pediatric patients. With a strong brand reputation, superior safety profile and consistent pricing, Ceclor Sachet held a dominant and growing market share of 72%, 77%, 79% and 83.2% in retail channel sales of cefaclor in China in 2022, 2023, 2024 and first half 2025, respectively, according to the Frost & Sullivan Report. The Target Group’s retail channel sales of Ceclor Sachet increased from RMB313.9 million in 2022 to RMB463.2 million in 2023 and RMB525.2 million in 2024. In recent years, volume-based procurement (“VBP”) of Ceclor Sachet was also a driver of the Target Group’s sales of Ceclor Sustained Release Tablets (II) from RMB200.1 million in 2022 to RMB216.9 million in 2023 and RMB282.6 million in 2024. In the six months ended 30 June 2025, the Target Group’s sales of Ceclor Sustained Release Tablets (II) reached to RMB157.5 million.

BUSINESS OF THE TARGET GROUP

- FPN is a new-generation inhaled corticosteroid (“**ICS**”) nebulizer with significant potential in the RMB23.7 billion market for asthma and chronic obstructive pulmonary disease (“**COPD**”) inhalants in 2024. Despite market fluctuations in 2022 due to a price decrease of budesonide nebulizer suspension, a major competitor to FPN, upon its inclusion in the VBP scheme, their sales volume continued to rise by 52% from 2022 to 2024 as patients developed habitual use of ICS nebulizers. Compared to other types of ICS nebulizers marketed in China as at the Latest Practicable Date, FPN is clinically proven to have longer lasting anti-inflammatory effects and more rapid onset of action, according to the Frost & Sullivan Report. As such, the Target Group’s sales of FPN amounted to RMB195.3 million in 2022, RMB287.4 million in 2023, RMB215.5 million in 2024 and RMB46.8 million in the six months ended 30 June 2025.
- Vascepa (icosapent ethyl) is the only originator drug approved by U.S. Food and Drug Administration (“**FDA**”) and NMPA as an adjunct to maximally tolerated statin therapy for reducing persistent cardiovascular (“**CV**”) risk in targeted high-risk patients. Vascepa is the only lipid-lowering medication that can reduce CV mortality by up to 20% when combined with statin therapy. It has been recommended as a primary and secondary prevention medication for cardiovascular diseases in more than 80 domestic and international guidelines and consensuses, including the “2023 ESC Guidelines for the Management of Acute Coronary Syndromes”, the “2019 ESC/EAS Guidelines for the Management of Dyslipidaemias: Lipid Modification to Reduce Cardiovascular Risk”, the “Chinese Guidelines for Lipid Management (2023)”, and the “Chinese Guidelines for the Diagnosis and Management of Patients with Chronic Coronary Syndrome (2024)”. In China, there were more than 11.4 million cases of coronary heart disease patients and more than 13 million cases of cerebral stroke patients in 2024. Even under the current intensive approach to cholesterol-lowering treatment, CV events have continued to rise, urgently requiring further reduction of residual CV risk, indicating a huge market potential for Vascepa. The Target Group obtained NMPA approval for Vascepa in May 2023.
- Mulpleta (lusutrombopag tablets) is the only fast-acting and potent platelet-increasing drug of choice that is not subject to dietary restrictions or drug-drug interactions. In 2027, the market size for thrombocytopenia treatment drugs is expected to exceed RMB14.8 billion, of which thrombopoietin receptor agonist (“**TPO-RA**”) drugs are expected to exceed RMB7.8 billion, with a CAGR of 24.0% from 2024 to 2027. Mulpleta is indicated for adult patients with chronic liver disease (“**CLD**”) and thrombocytopenia who are scheduled to undergo surgery (including diagnostic procedures). Mulpleta takes effect in three to five days, helps patients achieve optimal platelet level in five days with effects lasting up to 21 days, and has a response rate of up to 81.8% at any point. Mulpleta was approved by the NMPA in June 2023 and included in the China’s National Reimbursement Drug List (“**NRDL**”) in January 2024, making it a cost-effective option for patients.

BUSINESS OF THE TARGET GROUP

- Jing Zhu Da (entinostat tablets) is a novel, oral, highly selective histone deacetylase (“HDAC”) inhibitor that selectively inhibits class I and IV HDACs, exerting an anti-tumour effect through three mechanisms, i.e. by inhibiting tumour growth, reversing endocrine therapy resistance, and increasing sensitivity to immunotherapy. In China, there were more than 372,700 new cases of breast cancer patients in 2024, among which approximately 74,000 advanced and metastatic HR+/HER2- patients progress to the second-line treatment. Due to limited second-line treatment options, there is an urgent clinical need for effective treatment plans to prolong survival. With its unique mechanism of action, Jing Zhu Da not only inhibits tumour growth and delays endocrine and CDK4/6i resistance, addressing first-line treatment resistance, but also exerts a synergistic effect, sensitizing patients to endocrine therapy, CDK4/6i, and immunotherapy, enabling patients to benefit with improved PFS and OS. Jing Zhu Da is expected to become a foundational treatment for advanced HR+/HER2- patients after endocrine therapy failure. Moreover, Jing Zhu Da is safe and convenient, with low gastrointestinal side effects and a once-weekly dosing regimen, greatly improving patients’ quality of life. Jing Zhu Da was approved by the NMPA in April 2024.

Highly effective and efficient commercialisation capabilities to support stable growth

In its evolution from a contract sales organisation (“CSO”) to a fully integrated biopharmaceutical company over the past 20 years, the Target Group has accumulated a wealth of valuable experience and capabilities in drug commercialisation. Today, the Target Group prides itself with an MNC-calibre commercialisation team with deep market know-how and insights, exemplified by the successful launch and continued sales growth of numerous originator-branded and innovative drugs in China.

As at 30 June 2025, the Target Group had around 1,000 sales representatives across 31 provinces in China and covering approximately 17,000 hospitals, 19,000 pharmacies and 188 business corporations. The Target Group’s commercialisation team achieved an average sales per sales representative of approximately RMB2.5 million in 2024.

Importantly, through years of experience gained from partnering with global MNCs, the Target Group has adopted a high-standard operational and compliance management system to operate with best practices and considerable efficiency. During 2022 to 2024, the Target Group’s selling and distribution expenses were equivalent 23.7% and 26.3% of revenue, compared to many market peers¹ of over 35%. The Target Group believes that this high-quality operational system will continue to be crucial to compliance and stable growth.

1. Refers to pharmaceutical companies listed on the Hong Kong Stock Exchange as of the Latest Practicable Date.

BUSINESS OF THE TARGET GROUP

Lean production, supply chain and quality management capabilities

The Target Group has built a mature manufacturing and supply chain management system to produce drugs with high quality, forming a key competitive advantage against competitors. As the marketing authorisation holder (“MAH”), the Target Group manufactures Ceclor and FPN in-house and oversees and manages the entire supply chain for Vancocin and Mulpleta.

The Target Group completed the acquisition of Eli Lilly’s Suzhou Ceclor Manufacturing Facility in 2019 and has since manufactured all three formulations of Ceclor products in-house. Since the acquisition, the Target Group has significantly expanded Ceclor’s designed annual production capacity while achieving a consistent utilisation rate of nearly 90% since 2021, with plans to further upgrade capacity to meet growing market demand. In January 2024, the Target Group obtained manufacturing approval for FPN at its nebulizer manufacturing facility in Suzhou, pursuant to a four-year technology transfer from GSK’s manufacturing facility in Australia. Through this successful technology transfer, the Target Group not only lowered cost of manufacturing FPN by nearly 40%, but also gained a comprehensive global-standard technology platform for complex nebulization formulation production, forming a strong foundation for the R&D and production of other nebulization products in the future. These historical acquisitions have also enabled the Target Group to establish a complete system of workflows and build a professional team for the localisation of overseas production technology to localise production.

The Target Group has strong international supply chain management capabilities, demonstrated by its management of Vancocin’s European supply chain since 2019 and Mulpleta’s supply chain in Japan and in the U.S. since the second half of 2024. As MAH of these products, the Target Group is responsible for quality management of the entire supply chain, from raw material and supplier management, to sterile production and quality control, and the quality management of all packaging and logistics activities. From 2019 to June 2025, over 1,200 batches of Vancocin were released to market with no quality incidents reported. Up to June 2025, the first 49 batches of Mulpleta had completed production with no quality incidents reported. In the second half of 2024, the Target Group initiated the localisation projects of Vancocin and Mulpleta’s overseas production technology. It is expected that the localisation of manufacturing for Vancocin will be completed by the end of 2026 and the localisation of manufacturing for Mulpleta will be completed by early 2027. Following localisation, the overseas supply chain of Vancocin and Mulpleta will also be retained as needed based on market conditions, ensuring dual-region supply. The Target Group believes that the completion of these endeavors will enhance capacity assurance and profitability going forward.

BUSINESS OF THE TARGET GROUP

Recorded year-over-year growth in revenue and maintained profitability

Benefitting from a strong product portfolio and efficient operational management, the Target Group has built a strong financial foundation with stable revenue growth, good profitability, and efficient operating cost structure, as illustrated by the following metrics:

- *Steady sales growth.* The Target Group's revenue increased from RMB2,073.8 million in 2022 to RMB2,546.0 million in 2024. The steady sales growth is primarily attributable to strong performance and potential of its product portfolio. Both Vancocin and FPN are not subject to the VBP scheme and have maintained strong sales. FPN's sales were further boosted by the increased market needs as patients developed habitual use of ICS nebulizers. Moreover, the Target Group's sales of Ceclor Sachet, its major cefaclor sub-product, continued its growth although it is subject to the VBP scheme, as it primarily focused on retail sales channels and enjoyed strong market demand.
- *Strong profitability with continued growth.* The Target Group's gross profit margin from drug sales increased from 66.0% in 2022 to 67.4% in 2024. The Target Group has prioritized enhancing cost efficiency, including through the gradual shift from overseas manufacturing to in-house localised manufacturing. The Target Group expects that the positive effects of such endeavors to be more pronounced going forward.
- *Competitive operating cost structure.* The Target Group's selling and distribution expenses as a percentage of revenue was 26.3%, 23.7% and 25.9% in 2022, 2023 and 2024, respectively, compared to many market peers¹ of over 35%. The comprehensive and mature operational management system of the Target Group has been crucial to enhancing the returns and efficiency of its selling and distribution expenses. The Target Group believes that such capability is the foundation to its sustainable business growth.

As a result of these factors, the Target Group achieved strong EBITDA growth from RMB768.3 million in 2022 to RMB931.3 million in 2024.

1. Refers to pharmaceutical companies listed on the Hong Kong Stock Exchange as of the Latest Practicable Date.

BUSINESS OF THE TARGET GROUP

BUSINESS STRATEGIES OF THE ENLARGED GROUP

The Enlarged Group aims to become an internationally recognized biopharmaceutical multinational pharmaceutical company (“MNC”) in China, with robust biologics discovery and CMC capabilities as well as proven and mature manufacturing and commercialisation systems.

Upon the completion of the Proposed Merger, the Enlarged Group plans to forge forward to drive its development of innovative drug programs that represent a balanced pipeline portfolio aimed to ultimately achieve a higher success rate to market. At the same time, the Enlarged Group will continue to enhance sales of its approved drugs to reinvest in its future success. In achieving these goals, the Enlarged Group will implement the following business strategies:

Actively advance the Enlarged Group’s innovative drug development programs

The Enlarged Group will continue to invest in the R&D of high potential innovative drugs, with a focus on oncology and autoimmune diseases with significant unmet needs and treatment gaps. As substantially all of the Target Group’s key product portfolio has been commercialized, the Enlarged Group will primarily focus on further developing the Group’s product portfolio going forward. To date, the Group, which will form part of the Enlarged Group post-Merger Closing, is driving forward the development of four key products:

- *GB261*. In January 2024, the Group completed the phase 1/2a clinical trial for GB261 in NHL patients. The Group then successfully out-licensed the worldwide rights (excluding Chinese mainland, Hong Kong, Macau and Taiwan (the “Retained Territories”)) of GB261 to TRC 2004, Inc. (whose rights thereunder were subsequently assigned to Candid in December 2024 following the merger between Candid and TRC 2004, Inc. in August 2024). The Enlarged Group will continue to develop GB261 in the Retained Territories and will strategically determine its clinical development plan based on results from its partners’ clinical trials in autoimmune diseases. Besides autoimmune diseases, to enhance the clinical impact of GB261, the Enlarged Group will also continue to explore its use to treat other diseases that affect significant patient populations, such as NHL where preliminary efficacy and differentiated safety of GB261 were observed, including but not limited to follicular lymphoma as suggested by early clinical data. The GB261 Phase I/II lymphoma clinical trial, which was led by Peking University Cancer Hospital was conducted at multiple clinical study sites in Australia and China, has been completed. A favourable safety and pharmacokinetic profile and clinical anti-tumor activities observed in the trials are consistent with the molecular design mechanism of GB261, demonstrating promising efficacy and a favourable safety.

BUSINESS OF THE TARGET GROUP

- **GB268.** The Group completed pre-clinical studies in March 2025 and no significant drug-related toxicity was observed, indicating good safety profile of GB268. CDE accepted the IND application for GB268 (anti-PD-1/VEGF/CTLA-4) on 9 May 2025. On 17 July 2025, the IND application of FIH clinical trial for GB268 was approved by the NMPA. As demonstrated in pre-clinical *in vivo* studies, GB268 exhibited more significant anti-tumour effects compared to anti-PD-1 monotherapy (Keytruda), anti-PD-1/VEGF bispecific therapy, or anti-PD-1/CTLA-4 bispecific antibody therapy. The FIH study of GB268 plans to recruit all comers of solid tumors. In the FIH trial, if anti-tumour activities are observed in these patients after GB268 treatment, this will constitute initial proof-of-concept for GB268. Phase 1b/2a expansion cohorts will be considered for indications where initial anti-tumour activities are observed, followed by further phase 2 and/or 3 trials if clinical anti-tumour activities are further confirmed.
- **GB263T.** GB263T Phase I/II clinical trial was led by Guangdong Provincial People's Hospital. Currently, the dose-escalation was completed in Phase I clinical trial. A total of 15 patients with non-small cell lung cancer had received at least one GB263T treatment. All patients had received previous third-generation EGFR-TKI and platinum-based chemotherapy and the median number of prior lines of systemic therapy was 3. These updated research data have been accepted at the 2024 Congress of the European Society for Medical Oncology (ESMO) and were published on 14 September 2024. GB263T has shown promising efficacy at the therapeutic dose range (1,260-1,680 mg). An apparent benefit was observed in three patients (2 PR and 1 durable SD) who have developed drug-resistant cMET changes after a third-generation TKI treatment. The Group is considering to further explore its use in NSCLC with EGFRmut, and in other tumors with EGFR and cMET alteration including CRC and HNSCC. In addition to in-house development, the Group is also exploring partnership opportunities with global MNCs, who have shown significant interest given GB263T's unique and differentiated features and promising pre-clinical and clinical results.
- **GB491.** The Group has obtained NDA approval for GB491, (a) in combination with fulvestrant for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients with disease progression following endocrine therapy and (b) in combination with an aromatase inhibitor for the treatment of HR+/HER2- locally advanced or metastatic breast cancer adult patients as initial endocrine-based therapy, from the NMPA. The Group has begun pre-launch preparations in anticipation of commercialisation.

Strengthen innovative drug portfolio through global value-accretive partnerships

The Enlarged Group believes in the power of global partnerships to strengthen its innovative drug portfolio and accelerate growth. The Enlarged Group will seek and evaluate different modes of external partnerships, including out-licensing arrangements for the development of innovative in-house discovered assets, as well as in-licensing opportunities to bring high potential innovative drugs to patients in need in China.

BUSINESS OF THE TARGET GROUP

Leveraging the historical track record of successful licensing and collaboration partnerships such as the out-licensing of GB261, the Enlarged Group plans to actively seek global partnership opportunities for GB263T and GB268. Through these partnerships, the Enlarged Group expects to not only maximise the clinical and commercial value of its pipeline assets, but also enhance its research and development capabilities through synergistic partnerships, gradually becoming a research and development powerhouse in the global market.

Drug in-licensing will also continue to be a key strategy to strengthen the Enlarged Group's innovative drug portfolio, as demonstrated by the numerous successful drug in-licensing transactions in the Target Group's operating history. The Enlarged Group will continue to identify innovative and high value assets with a worldview lens to bring drugs to China to address medical needs of large patient populations. In particular, the Enlarged Group will continue to deepen its presence in key therapeutic areas of anti-infectives, cardiovascular diseases, oncology, autoimmune diseases and respiratory system diseases, focusing on assets in late clinical development stage.

Seek acquisition opportunities for high quality assets from MNCs

The Enlarged Group has built a proven operating and management system for the manufacturing and commercialisation of originator-branded drugs, supported by years of operating experience and knowledge in the Target Group's partnerships with global pharmaceutical MNCs. In addition to organic growth through in-house driven R&D, the Enlarged Group will also seek and capture opportunities to acquire product rights of high-quality originator-branded drugs from MNCs. By leveraging its proven manufacturing, commercialisation and management capabilities, the Enlarged Group seeks to unlock the full market potential of these assets, which will contribute to the growth of its revenue base and cash flows, and in turn, serve as foundation for the Enlarged Group's innovative drug development.

Actively drive the commercialisation of innovative drug portfolio and capture market share

The Enlarged Group will continue to drive sales of its innovative drug portfolio, with a focus on four assets as discussed below. These assets are at critical periods of market entrance or commercial ramp-up, with the potential to capture significant shares of vast treatment markets in the future through the commercialisation efforts of the Enlarged Group.

- *Jing Zhu Da and GB491.* The Enlarged Group possesses a synergistic franchise for the treatment of advanced or metastatic HR+/HER2- breast cancer with Jing Zhu Da and GB491. Having obtained NMPA approval for GB491 in May 2025, the Enlarged Group plans to apply to initiate government negotiations for inclusion in the NRDL in the second half of 2025, which would become effective starting 2026 if successful.

BUSINESS OF THE TARGET GROUP

- *Vascepa*. There are approximately 1.3 million patients in China that undergo percutaneous coronary intervention (“PCI”) each year. Vascepa has been shown to have significant clinical benefits in reducing coronary revascularization for patients with cardiovascular risk reduction (“CRR”) that have undergone a previous PCI. To enable greater patient accessibility for Vascepa, the Enlarged Group plans to apply for government negotiations for inclusion in the NRDL in the second half of 2025, which would become effective starting 2026 if successful.
- *Mulpleta*. Mulpleta was successfully included in the NRDL in 2024. With the significant market potential for TPO-RA drugs in China, the next two years will be a critical period for the Enlarged Group to capture market share. The Enlarged Group will focus on paving commercialisation pathways with academic promotions, partnerships with large hospitals, cooperating with distributors and sponsoring studies to showcase the clinical benefits of this drug.

Continue to enhance product portfolio in key therapeutic areas

With strong capabilities in R&D, manufacturing, supply chain and commercialisation, the Enlarged Group is well-positioned to further enhance the market competitiveness of its product portfolio in key therapeutic areas, including oncology, autoimmune, respiratory and cardiovascular diseases. In particular, the Enlarged Group will endeavour to develop fast follow therapies in oncology, autoimmune, and cardiovascular/metabolic diseases. The Enlarged Group will focus on both novel and next-generation targets as well as validated and de-risked targets, leveraging its high calibre R&D team, advanced multi-specific antibody and siRNA innovative drug discovery technology platforms, and deep insights in disease biology. The Enlarged Group will evaluate these drug development programs with a balanced pipeline portfolio strategy, ultimately leading to a higher success rate in bringing innovative and commercially viable therapies to market, while maximizing the Target Group’s strength in commercialisation. The Enlarged Group firmly believes that this approach will not only strengthen its position in the pharmaceutical industry but also enhance its overall business competitiveness, enabling it to deliver value to patients, healthcare providers, and stakeholders.

Further strengthen manufacturing and process control capabilities, and global supply chain infrastructure

The Enlarged Group anticipates the need for larger manufacturing capacity to meet growing product demand. It plans to invest in the expansion of its small molecule manufacturing facility for Ceclor Sachet in Suzhou, which will increase annual manufacturing capacity to 300 million sachets. For FPN, it plans to build an automatic packaging line and liquid dispensing system in phase I expansion to increase annual manufacturing capacity to 120 million doses, and a high-speed production line with an annual manufacturing capacity of 200 million doses in phase II expansion.

BUSINESS OF THE TARGET GROUP

The Enlarged Group will also work with local CDMO partners to localise the overseas manufacturing of certain products to localise manufacturing in China, leveraging its extensive experience in manufacturing and technology transfers. It commenced such endeavors for Vancocin and Mulpleta in the second half of 2024. These efforts are expected to ensure supply chain stability and lower manufacturing costs. For biologics drugs, the Enlarged Group will continue to work closely with long-time CDMO partners, based on years of experience in CDMO and quality management for multiple products, aimed to bring market competitive products through pre-clinical, clinical and commercial stages.

PRODUCT PORTFOLIO OF THE TARGET GROUP

The Target Group has established a high-quality product portfolio comprising five key products, including three originator-branded products, namely, Vancocin, Ceclor and FPN, and two innovative products, Vascepa and Mulpleta, all of which are commercialized. Each of them addresses medical needs in a large or fast-growing therapeutic area, including anti-infectives, CVD and respiratory system diseases. The Target Group is the MAH in China for all of its key products. During the Track Record Period, a substantial majority of the Target Group's revenue was generated from its sales of the originator-branded products. The following table summarises the Target Group's key product portfolio and the status of each asset as at the Latest Practicable Date:

Key Products

Therapeutic Area	Product/ Product Candidate	Indication	Mechanism of action	Classification	Source**	Acquire/ Licensed from	Clinical Trial by the Target Group	Product Right	IND	Phase I/II	Phase III	NDA	Approval/ Commercialisation
Originator-branded Products*													
Anti-infectives	Vancocin	MRSA and other infection	Glycopeptides	Originator branded drug	Acquired drug	Eli Lilly	N/A	China, Italy					
	Ceclor	Gram +/- bacterial infections¹	Cephalosporin	Originator branded drug	Acquired drug	Eli Lilly	N/A	China					
Respiratory System	FPN	Asthma	ICS	Originator branded drug	Acquired drug	GSK	N/A	China, Netherlands					
Innovative Products*													
CVD	Vascepa	Persistent CV risk²,³	EPA	Innovative drug	In-licensed drug	Amarin	N/A	Greater China					
		Severe HTG²					Phase I and Phase III clinical trial						
Hematology	Mulpleta	CLD-associated TCP¹	TPO-RA	Innovative drug	Acquired drug	Shionogi	PK bridging trial and Phase III clinical trial	China, Hong Kong, Macau, U.S.					

* Originator-branded products are originator-branded mature drugs and innovative drugs are newly developed drugs.

** Acquired drugs are drugs for which full ownership has been obtained through an acquisition deal. The Target Group assumes all rights, responsibilities, and revenues associated with the drug. In-licensed drugs are drugs for which specific commercialization rights are obtained through a licensing agreement with the original owner. The licensor retains ownership of the drug, while the Target Group typically pays royalties or milestone payments based on the drug's performance.

BUSINESS OF THE TARGET GROUP

Other Products

Therapeutic Area	Product/ Product Candidate	Indication	Mechanism of action	Classification	Source	Acquire/ Licensed from	Clinical Trial by the Target Group	Product Right	IND	Phase I/II	Phase III	NDA	Approval/ Commercialisation
Oncology	Jing Zhu Da	HR+/HER2- breast cancer	HDAC inhibitor	Innovative drug	Marketing and/or distribution rights	Taizhou EOC	N/A	Chinese mainland					
Others	Recormon	CRA	rhEPOβ	Originator branded drug	Exclusive marketing and distribution rights	Roche	N/A	Chinese mainland					
Chronic disease	Three siRNA candidates	Chronic disease ¹	Undisclosed	Innovative drug	In-licensed drug	Nanopeptide (Qingdao) Biotechnology Ltd.	N/A	Greater China and Southeast Asia	Pre-IND/IND				



Target Group's trial or right



Ex-China Development and Commercialisation Status by Licensor or Seller



Not mandatory to conduct clinical trials

Notes:

1. The Target Group's major cefaclor sub-product, Ceclor Sachet, is a market leading anti-bacterial drug for pediatric use.
2. Persistent CRR and severe HTG reduction are FDA-approved indications. Vascepa received NDA approval from the NMPA for the treatment of severe HTG in May 2023. The Target Group commenced sales of this product for the treatment of severe HTG in China in September 2023. Vascepa later received NDA approval from the NMPA for the treatment of CRR in June 2024.
3. In February 2022, the competent Hong Kong authority approved the Target Group's NDA for the treatment of CRR as an adjunct to maximally tolerated statin therapy to reduce the risk of myocardial infarction, stroke, coronary revascularization, and unstable angina requiring hospitalization in adult patients with elevated TG levels (>150 mg/dL) and established CVD or diabetes mellitus and two or more additional risk factors for CVD.
4. CLD-associated TCP is the indication approved in Japan, the U.S. and the EU. The Target Group received NDA approval for Mulpleta for the treatment of TCP in patients with CLD in June 2023 and commenced sales of this product in November 2023.
5. The Target Group has three pre-clinical siRNA candidates. One of the candidates submitted its IND application in March 2025 and received its IND approval in June 2025, for which the Target Group has completed patient enrollment in the second half of 2025. The other two candidates are nearing PCC confirmation and are expected to enter into IND-enabling stage in 2025.

Key Products

Originator-branded Products

Vancocin and Ceclor are the Target Group's originator-branded anti-bacterial drugs, which the Target Group marketed in China on an exclusive basis in accordance with the Target Group's exclusive marketing and selling rights since January 2017. In October 2019, the Target Group acquired the product rights for Vancocin in China and Italy and for Ceclor in China, and the Ceclor manufacturing site in China from Eli Lilly. FPN is an originator-branded respiratory drug with strong commercial potential. The Target Group completed the acquisition of the product rights for FPN in China and the Netherlands from GSK in May 2020, prior to which it had marketed and sold on an exclusive basis in China since November 2019 under an interim arrangement. The technology for the manufacturing of FPN was transferred to the Target Group, and the Target Group started to manufacture FPN in its own manufacturing site in February 2024.

BUSINESS OF THE TARGET GROUP

Gross revenue from Vancocin, Ceclor and FPN (presented as revenue before deduction of sales rebates and sales tax) in aggregate amounted to RMB1,961.7 million, RMB2,191.9 million, RMB2,393.1 million, RMB1,268.3 million and RMB1,027.9 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for 89.7%, 88.3%, 85.0%, 83.8% and 88.2% of the Target Group's total gross revenue for the same respective periods.

Vancocin (Vancomycin Hydrochloride for Injection)

Vancocin is the originator-branded version of vancomycin product. Vancomycin is a tricyclic glycopeptide antibiotic used to treat a number of bacterial infections, and is especially suitable for the treatment of MRSA infections, which are caused by a type of Gram-positive bacteria that have become resistant to many anti-bacterial drugs. Due to proven safety and strong efficacy profiles, vancomycin is perceived to be the “gold standard” for the treatment of MRSA infections.

Vancomycin has a proven safety profile. As at the Latest Practicable Date, vancomycin had no reported resistance among MRSA patients in China, which distinguishes it from linezolid and teicoplanin. In addition, compared to linezolid and teicoplanin, vancomycin has a superior efficacy profile with a unique triple-sterilization mechanism, which inhibits synthesis of the bacterial cell wall, changes the permeability of the bacterial cell membrane and blocks ribonucleic acid (“RNA”) synthesis in the bacterial cytoplasm, resulting in high effectiveness, a wider coverage of indications and long-acting effects. In addition, compared to linezolid and teicoplanin, it has a shorter time to peak serum concentration, and the dosage of Vancocin can be adjusted to each individual patient to avoid unnecessary side effects.

Vancomycin has been recommended by a number of clinical practice guidelines or experts' consensus for the treatment of MRSA infections, both in China and globally. Selected clinical practice guideline recommendations for various indications are listed below:

Guideline	Publishing Medical Institution/Agency	Nation	Year
Recommendations for Management of Skin and Soft Tissue Infections	World Society of Emergency Surgery; Surgical Infection Society Europe	Italy	2018
Clinical Practice Guidelines for Healthcare-Associated Ventriculitis and Meningitis	Infectious Diseases Society of America	U.S.	2017
The Guidelines for Hospital-acquired and Ventilator-associated Pneumonia	The Infectious Diseases Society of America; American Thoracic Society	U.S.	2016

BUSINESS OF THE TARGET GROUP

<u>Guideline</u>	<u>Publishing Medical Institution/Agency</u>	<u>Nation</u>	<u>Year</u>
Chinese Guidelines for the Clinical Application of Antibacterial Drugs for Agranulocytosis with Fever	Chinese Society of Hematology, Chinese Medical Association; Chinese Medical Doctor Association, Hematology Branch	China	2016
Johns Hopkins ABX (Antibiotic) Guide	The Johns Hopkins Hospital Antimicrobial Stewardship Programme	U.S.	2015

Vancomycin is the only first-line drug among major therapies for the treatment of MRSA infections in the NRDL, and the second-line treatment for MRSA infections is generally only entitled to reimbursement under the NRDL when administered to a patient who has demonstrated intolerance to vancomycin.

Vancomycin is the market leader in China’s anti-MRSA drug market, with a market share of 50.1% in terms of 2024 sales revenue. Vancocin captured a 57.7%, 61.5%, 65.0% and 78.7% share in vancomycin drug market in China in terms of 2022, 2023, 2024 and the first half of 2025 sales revenue, respectively. Sales of Vancocin are primarily driven by end-market demand by hospitals and patients, and the procurement schedules and forecasts of the Target Group’s importers. During the Track Record Period, Target Group’s sales volume to the importer and importer’s sales to end-market hospitals were closely aligned and the importer maintained a stable inventory level of approximately four to six months. For details about the competitive landscape of Vancocin, see “Industry Overview – Anti-infective Drug Market – Anti-MRSA Drug Market”.

In connection with the Target Group’s acquisition of product rights for Vancocin in October 2019, the Target Group retained a number of contract manufacturing organisations (“CMOs”) located in Europe and the U.S., who were the manufacturers of Vancocin prior to the acquisition. The Target Group currently engages these overseas CMOs for the production of Vancocin. The Target Group’s Vancocin products are manufactured in accordance with EU and U.S. current Good Manufacturing Practice (“cGMP”) standards, ensuring a high level of quality consistency that has been difficult to achieve for generic competitors in China. In compliance with the “two-invoice” system, the Target Group engaged an importer for the import and sale of Vancocin in China during the Track Record Period and up to the Latest Practicable Date. In the second half of 2024, the Target Group initiated the localisation project of Vancocin’s overseas production technology. It is expected that the localisation of manufacturing for Vancocin will be completed by the end of 2026. Following localisation, the overseas supply chain of Vancocin will also be retained as needed based on market conditions, ensuring dual-region supply. The Target Group expects to execute a gradual localisation

BUSINESS OF THE TARGET GROUP

procedure, achieving smooth integration of the sales activities and business operations associated with Vancocin during this transitional period regarding the dual-region supply. The Target Group will work with local CDMO partners to localise the manufacturing of Vancocin, rather than self-manufacturing, following the localisation of overseas production technologies.

Vancocin is primarily used in the hospitals' intensive care unit ("ICU"), hematology, neurosurgery, orthopedics, cardiothoracic surgery, respiratory and infectious disease departments. Vancocin is included in Category B of the NRDL. It is the reference drug for the Generic Quality Consistency Evaluation ("GQCE") in China.

The manufacture of vancomycin requires a high-level of quality control and advanced manufacturing techniques, especially on controlling impurity levels, which presents significant entry barriers.

Ceclor: Ceclor Sachet, Ceclor Capsules, Ceclor Sustained Release Tablets (II)

Launched in China in 1993, Ceclor is an originator-branded cefaclor product. Cefaclor is a broad-spectrum antibiotic used to treat a number of bacterial infections.

Cefaclor has proven safety and efficacy profiles, which are critical for pediatric use. Cefaclor has demonstrated a lower incidence rate for gastrointestinal side effects than azithromycin. In addition, cefaclor has demonstrated no cardiac toxicity side effects. It has also demonstrated a favourable drug tolerance and resistance profile, according to the same source.

In addition, cefaclor has a superior efficacy profile. It has demonstrated high bioavailability and a shorter time to peak serum concentration, translating to quick drug reaction time and high drug effectiveness. It has demonstrated to have a high sensitivity and low resistance for *Streptococcus pneumoniae*, a bacterium that is responsible for a majority of community-acquired pneumonia, according to the same source.

Cefaclor is one of the leading oral molecules among cephalosporins, which have been recommended for the treatment of respiratory infections in pediatric patients by a number of major clinical practice guidelines both in China and globally. Selected clinical practice guideline recommendations for various indications are listed below:

Indication	Guideline	Publishing Medical Institution/Agency	Nation	Year
Community-acquired pneumonia	Guidelines for Diagnosis and Treatment of Community-acquired Pneumonia in Children	National Health Commission; National Administration of Traditional Chinese Medicine	China	2019

BUSINESS OF THE TARGET GROUP

Indication	Guideline	Publishing Medical Institution/Agency	Nation	Year
Pharyngitis/ Tonsillitis	Clinical Practice Guidelines for Diagnosis and Treatment of Acute Tonsillitis in Children	Professional Committee of Children Otorhinolaryngology, Pediatrician Branch, Chinese Medical Doctor Association	China	2016
Otitis media	Clinical Practice Guidelines for Diagnosis and Treatment of Acute Otitis Media in children	Professional Committee of Children Otorhinolaryngology, Pediatrician Branch, Chinese Medical Doctor Association	China	2015
Rhinosinusitis	Diagnosis and Treatment of Acute Infectious Rhinosinusitis in Children – Guidelines for Clinical Practice	Professional Committee of Children Otorhinolaryngology, Pediatrician Branch, Chinese Medical Doctor Association	China	2014
Otitis media	Clinical Practice Guideline for Diagnosis and Management of Acute Otitis Media	American Academy of Pediatrics	U.S.	2013
Community-acquired pneumonia	The Management of Community-acquired Pneumonia in Infants and Children Older Than 3 Months of Age: Clinical Practice Guidelines	Pediatric Infectious Diseases Society; The Infectious Diseases Society of America	U.S.	2011

The Target Group manufactures, markets and sells three dosage forms of Ceclor products, including sachets, capsules and tablets. The Target Group has a total of seven sub-products in three dosage forms under the brand name of Ceclor, namely Ceclor Sachet (specification: 0.125g*6 and 0.125g*9), Ceclor Capsules (specification: 0.25g*6 and 0.25g*12) and Ceclor Sustained Release Tablets (II) (specification: 0.375g*4; 0.375g*6; 0.375g*8).

Ceclor Sachet is the Target Group's major cefaclor sub-product and a leading anti-bacterial brand for pediatric use in China. With a strong brand reputation, superior safety profile and consistent pricing, Ceclor Sachet held a dominant and growing market share of 72%, 77%, 79% and 83% in retail channel sales of cefaclor in China in 2022, 2023, 2024 and

BUSINESS OF THE TARGET GROUP

the first half of 2025, respectively, according to the Frost & Sullivan Report. The Target Group focuses sales on the in-hospital market that is not subject to VBP, as well as the out-of-hospital retail market. Retail sales accounted for over 80% of total Ceclor Sachet sales of the Target Group in terms of sales revenue in 2024.

China's pediatric anti-bacterial drug market is a highly specialized market that presents a significant market opportunity to the Target Group. The Target Group believes the pleasant strawberry taste and strawberry logo of Ceclor Sachet products have contributed to its strong brand identity and reputation, especially among pediatricians, patients and their parents. Key product and technology know-how of Ceclor Sachet, such as the manufacturing know-how for the distinguished strawberry taste, present significant entry barriers.

The manufacturing of cefaclor requires advanced techniques, mainly due to stringent requirements for drug safety. The Target Group manufactures Ceclor products in its advanced manufacturing facility located in Suzhou, which it acquired from Eli Lilly in October 2019. Leveraging the Target Group's extensive know-how and modern and advanced manufacturing facility, the Target Group produces Ceclor with effective quality control and assurance, especially in controlling impurity levels and ensuring product quality consistency.

In addition to pediatric use, Ceclor can also be used as an anti-bacterial drug for adults. Accordingly, the target hospital departments for Ceclor also include respiratory, otolaryngology, urology and emergency. All three dosage forms of Ceclor are the reference drug for the GQCE in China. They are all included in Category B of the NRDL. Ceclor Sachet became subject to the VBP scheme in November 2022 and Ceclor Capsules became subject to the VBP scheme in November 2020.

FPN (Fluticasone Propionate Nebulizer Suspension)

Launched in China in 2017, FPN, currently marketed under the brand "Yi Rui Ping" (億瑞平) in China, is the latest-generation ICS nebulizer indicated for the treatment of mild to moderate asthma in children and adolescents in China. The Target Group completed the acquisition of the product rights in China and the Netherlands from GSK in May 2020, prior to which it had marketed and sold on an exclusive basis in China since November 2019 under an interim arrangement. The technology for the manufacturing of FPN was transferred to the Target Group in 2022. In the same year, the Target Group completed construction of the manufacturing facility for FPN and submitted manufacturing application to the NMPA. The Target Group obtained manufacturing approval from the NMPA in January 2024 and started to manufacture FPN in February 2024.

BUSINESS OF THE TARGET GROUP

FPN has significant potential in the RMB23.5 billion market for asthma and COPD inhalants in 2024. ICSs are by far the most effective controller used in the treatment of asthma, and are one of a few types of drug that can effectively suppress the characteristic inflammation in asthmatic airways. The ICS nebulizer market is an important segment in the ICS-related inhalant market in China. Other than FPN, there are only two types of ICS nebulizers currently marketed in China, namely budesonide nebulizer and beclomethasone nebulizer. For details, see “Industry Overview – Pharmaceutical Market in China by Therapeutic Areas – Respiratory System Drug Market – ICS Nebulizer Market”.

FPN is the latest-generation ICS with a superior pharmacological profile. FPN has demonstrated long lasting anti-inflammatory effects and rapid onset of action with minimal serious side effects due to balanced lipo- and hydrophilicity, strong glucocorticoid receptor binding rate, low oral bioavailability and high pulmonary retention rates.

FPN has demonstrated a favourable safety profile for pediatric use. A prospective cohort study demonstrated that a one-year FPN treatment in guideline-recommended dosages with high adherence did not result in significant or relevant growth suppression, and unaffected growth can be maintained in children with asthma during a one-year FPN treatment at high adherence.

In addition, FPN has demonstrated strong efficacy. Studies have shown superior or equivalent clinical efficacy of FPN at half the dose of budesonide and beclomethasone. According to an independent clinical research, in a twenty-week double-blind, double-dummy, randomized, parallel-group study, FPN at a dosage of 400 µg/day demonstrated a higher mean morning and evening peak expiratory flow (“PEF”) than budesonide at a dose of 800 µg/day, demonstrating significantly higher efficacy of FPN. According to another clinical study, FPN at a dose of 200 µg/day demonstrated at least comparable efficacy as beclomethasone at 400 µg/day in terms of morning and evening PEF in a six-week double-blind, randomized, parallel-group study. In addition, compared to budesonide and beclomethasone, FPN has a longer effective duration.

FPN has been included in various clinical practice guidelines, including *The Global Strategy for Asthma Management and Prevention (2019 version)* published by the Global Initiative for Asthma, and *The Guidelines for Bronchial Asthma Prevention and Management (2020 version)* published by the Asthma Workgroup of Chinese Medical Association Society of Respiratory Diseases.

Due to high technical barriers for prescription design and production processes, including API particle control and sterility control, the manufacturing of FPN has significant entry barriers. As at the Latest Practicable Date, there were only two generic versions of FPN approved in China.

FPN is the reference drug for the GQCE in China. FPN has been included in Category B of the NRDL.

BUSINESS OF THE TARGET GROUP

Innovative Products

As at the Latest Practicable Date, the Target Group had two key innovative products, including Vascepa and Mulpleta. Vascepa received NDA approval from the NMPA for the treatment of severe HTG (>500 mg/dL) in May 2023 and for the treatment of CRR in June 2024. Mulpleta received NDA approval for the treatment of CLD-associated thrombocytopenia (“TCP”) in China in June 2023. The Target Group further acquired the product rights for Mulpleta in September 2024.

Vascepa (Icosapent Ethyl)

Vascepa is an icosapent ethyl (“IPE”) drug, which is a single-molecule product consisting of the omega-3 acid commonly known as EPA in ethyl-ester form (ethyl-EPA).

In China, there were more than 11.4 million cases of coronary heart disease patients and more than 13 million cases of cerebral stroke patients in 2024. Reducing CV events is the key to CVD management. However, even under an intensive approach to cholesterol-lowering treatment, CV events have continued to rise, urgently requiring further reduction of residual CV risk.

Vascepa is the first drug approved by the FDA and NMPA as an adjunct to maximally tolerated statin therapy to reduce the risk of myocardial infarction, stroke, revascularization, and unstable angina requiring hospitalization in adult patients with elevated elevated triglyceride (“TG”) levels (>150 mg/dL) and either established CVD or diabetes mellitus and two or more additional risk factors for CVD. It is the only lipid-lowering medication that can reduce CV mortality by up to 20% when combined with statin therapy. It has been recommended as a primary and secondary prevention medication for cardiovascular diseases in more than 80 domestic and international guidelines and consensuses, including the “2023 ESC Guidelines for the Management of Acute Coronary Syndromes”, the “2019 ESC/EAS Guidelines for the Management of Dyslipidaemias: Lipid Modification to Reduce Cardiovascular Risk”, the “Chinese Guidelines for Lipid Management (2023)”, and the “Chinese Guidelines for the Diagnosis and Management of Patients with Chronic Coronary Syndrome (2024)”.

Vascepa was first approved by the FDA in 2012 for use as an adjunct to diet to reduce TG levels in adult patients with severe hypertriglyceridemia (“HTG”) (>500 mg/dL) based on the MARINE clinical trial results, which makes it the first IPE prescription drug approved by the FDA. In December 2019, the FDA approved an indication and label expansion for Vascepa for reducing CV events in certain high-risk patients based on the groundbreaking REDUCE-IT clinical trial results. Vascepa received NDA approval from the NMPA for the treatment of severe HTG (>500 mg/dL) in May 2023 and for CRR in June 2024. As at the Latest Practicable Date, eight other icosapent ethyl drugs were marketed in China.

BUSINESS OF THE TARGET GROUP

The Target Group obtained an exclusive license from Amarin in February 2015 for the development and commercialisation of Vascepa in Greater China. For more details, see “– Acquisition and In-licensing Arrangements – In-licensing Arrangements – Vascepa”. In February 2022, Vascepa was approved in Hong Kong for CRR as an adjunct to maximally tolerated statin therapy for adult patients with elevated TG levels and established CVD or diabetes mellitus and two or more additional risk factors for CVD.

As at the Latest Practicable Date, in addition to China, the U.S. and Hong Kong, Vascepa has also received approval for marketing in Lebanon, the United Arab Emirates, Canada, Qatar, the EU, Bahrain, the U.K., among others.

Mechanism of Action

Studies suggest that EPA reduces hepatic very low-density lipoprotein triglycerides (“**VLDL-TG**”) synthesis and/or secretion and enhances TG clearance from circulating VLDL particles. Potential mechanisms of action include increased β -oxidation; inhibition of acyl-CoA:1,2-diacylglycerol acyltransferase (“**DGAT**”); decreased lipogenesis in the liver; and increased plasma lipoprotein lipase activity.

Market Opportunity and Competition

According to the Frost & Sullivan Report, there were approximately 330 million CVD patients in China in 2024, including more than 13.0 million cerebral stroke patients and more than 11.4 million coronary heart disease patients. The total market size of drug treatment of CVD in China was approximately RMB186.6 billion in 2024, which is expected to reach RMB217.3 billion in 2027, largely driven by an ageing population, urban lifestyle and continuous research and development for CVD drugs.

Reducing CV events or lowering CV risks is the ultimate goal and unmet need in CVD management. Statin therapy, which primarily works through lowering low-density lipoprotein cholesterol (“**LDL-C**”) levels, is the current mainstay for CV risk reduction. However, statin therapy may only reduce the risk of major CV events only by approximately 25% to 35% primarily through lowering LDL-C levels, leaving significant persistent CV risk of approximately 65% to 75%. Other traditional LDL-C lowering therapies such as cholesterol absorption inhibitors and PCSK-9 inhibitors can be used in conjunction with statin therapy. However, many patients remain with significant residual CV risk, as their effects on lowering TG is less marked.

Emerging evidence suggests that elevated TG level is one of the important components of the residual CV risks. It is also one of the most common dyslipidemia phenotypes in Chinese population, with approximately 257.3 million patients with elevated TG levels (≥ 150 mg/dL) in 2024. Fibrates, niacin and omega-3 fatty acid ethyl esters are the three major classes of therapeutics for lowering TG levels. However, in CV outcomes trials, extended-release niacin

BUSINESS OF THE TARGET GROUP

and fibrates did not meet their primary endpoints to reduce CV risk when taken together with prevailing therapies, including statins. Omega-3 fatty acid ethyl esters have emerged as a promising therapeutic class, especially Vascepa which has been clinically proven to lower CV risk.

Omega-3 fatty acid ethyl esters can be generally classified into alpha-linolenic acid (“**ALA**”), eicosapentaenoic acid (“**EPA**”), and docosahexaenoic acid (“**DHA**”). ALA is the precursor in the human body for forming EPA and DHA. DHA and EPA are naturally found in marine animals. However, TG-lowering drugs that have DHA, such as Lovaza and Epanova, have been shown to increase LDL-C levels. More importantly, the effects of Lovaza and Epanova on reducing CV events have not been determined.

Vascepa is a highly purified form of EPA. Vascepa received its new drug approval from the FDA in 2012 and was launched in the U.S. in 2013, initially for use as an adjunct to diet to reduce TG. In May 2023, Vascepa received NDA approval from the NMPA for the treatment of severe HTG levels (>500 mg/dL). In 2024, approximately 12.4 million people had severe HTG levels (>500 mg/dL) in China, according to the Frost & Sullivan Report.

Vascepa has the potential to reduce significant persistent risk of CVD beyond current standards of care. Vascepa received its FDA approval for CRR in 2019 and NMPA approval in June 2024 as an adjunctive therapy to reduce the risk of CV events among adults with elevated TG levels (>150 mg/dL). Addressable patients for the CRR indication must have either established CVD or diabetes and two or more additional risk factors for CVD. In 2024, there were approximately 49.5 million statin-treated adult patients in China with elevated TG levels (>150 mg/dL) and either established CVD or diabetes mellitus and two or more additional risk factors for CVD, representing the addressable patients of CRR of Vascepa in China.

As at the Latest Practicable Date, nine IPE drugs had been approved by the NMPA. Vascepa was also approved for CRR. This broader indication allows Vascepa to encompass a wider population. As a result, Vascepa is anticipated to possess significant sales potential.

Advantages of the Product

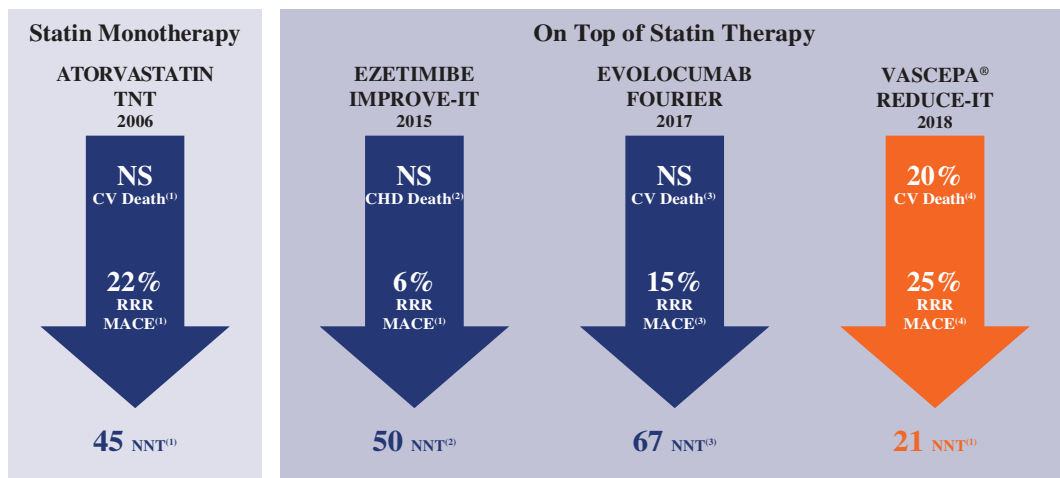
The Target Group believes the results of the REDUCE-IT and MARINE clinical trials of Vascepa and Vascepa’s EPA only/DHA-free composition position Vascepa to be a preferred therapy in studied patient populations.

As at the Latest Practicable Date, eight other IPE was marketed in China. Based on the results of the REDUCE-IT trial, Vascepa is the first product that demonstrated a statistically significant reduction in CV risk beyond cholesterol-lowering therapy in high risk patients approved for treatment in the U.S..

In addition, Vascepa compares well with LDL-C-lowering therapies addressing persistent CV risk remaining after statin therapy (i.e. PCSK-9 inhibitor (evolocumab) therapy and cholesterol absorption inhibitor (ezetimibe) therapy). Vascepa demonstrated a 25% relative risk reduction (“**RRR**”) in the first occurrence of certain major adverse CV events (“**MACE**”) in the REDUCE-IT clinical trial. In addition, it has also demonstrated a 20% RRR in CV death. By contrast, in the FOURIER clinical trial, a multicentre, double-blinded, placebo-controlled,

BUSINESS OF THE TARGET GROUP

randomized clinical trial, a PCSK-9 inhibitor (evolocumab) was shown to reduce first occurrence of certain MACE by 15% on top of statin therapy. Furthermore, in the IMPROVE-IT clinical trial, a multicentre, double-blinded, randomized controlled clinical trial, a cholesterol absorption inhibitor (ezetimibe) administered in conjunction with a statin (simvastatin) was shown to reduce first occurrence of certain MACE by 6% compared with statin monotherapy. In addition, none of the FOURIER or IMPROVE-IT clinical trials demonstrated statistically significant RRR in CV death. Although cross-trial comparisons are subject to differences in populations, primary outcomes and other trial design aspects and are observational results only, the Target Group believes Vascepa has demonstrated significant efficacy advantages over other drugs for reducing CV events beyond statin therapy based on selected landmark clinical trials. The diagram below illustrates Vascepa's CRR effectiveness compared with other LDL-C-lowering therapies.



Cross-trial comparisons are subject to differences in populations, primary outcomes, and other trial design aspects

Source: Frost & Sullivan literature review and analysis

CHD refers to coronary heart disease.

NNT refers to number needed to treat to prevent an adverse outcome, which was based on the primary composite endpoints of each trial. NNT is a statistical concept intended to provide a measurement of the impact of a medicine or therapy by estimating the number of patients that need to be treated in order to have an impact on one person.

NS refers to no statistical significance.

* In TNT, MACE was a 4-point composite of CHD death, nonfatal MI, resuscitated cardiac arrest, or fatal or nonfatal stroke. For IMPROVE-IT, FOURIER, and REDUCE-IT, MACE was a 5-point composite of CV death, nonfatal MI, nonfatal stroke, hospitalization for unstable angina, or coronary revascularization.

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BUSINESS OF THE TARGET GROUP

Clinical Trial Data

The REDUCE-IT Clinical Trial (basis for new FDA approved indication and label expansion for reducing CV risk)

Overview. The REDUCE-IT study was a multinational, prospective, randomized, double-blind, placebo-controlled, parallel-group study conducted by Amarin to evaluate the effectiveness of Vascepa (icosapent ethyl), as an add-on to statin therapy, in reducing major CV events in an at-risk patient population compared to statin therapy alone.

Trial Design. The REDUCE-IT study was designed to evaluate the efficacy of Vascepa in reducing major CV events in an at-risk patient population also receiving statin therapy. There were 8,179 (4,089 Vascepa, 4,090 placebo) statin-treated adult patients enrolled in the REDUCE-IT study. Patients were randomly assigned 1:1 to receive either Vascepa (4 grams daily) or placebo. The median follow-up duration was 4.9 years. Overall, 99.8% of patients were followed for vital status until the end of the trial or death.

Trial Status. The study was completed in 2018.

Efficacy Data. Vascepa significantly reduced the risk for the primary composite endpoint (time to first occurrence of CV death, nonfatal myocardial infarction, nonfatal stroke, coronary revascularization, or hospitalization for unstable angina) and the key secondary composite endpoint (time to first occurrence of CV death, nonfatal myocardial infarction, or nonfatal stroke).

REDUCE-IT met its primary composite endpoint, demonstrating a 25% RRR to a high degree of statistical significance ($p < 0.001$), in first occurrence of MACE, in the intent-to-treat patient population with the use of Vascepa at a dose of 4 grams/day as compared to placebo. REDUCE-IT also showed a 26% RRR in its key secondary composite endpoint of CV death, heart attack and stroke ($p < 0.001$). Vascepa reduced total events (first and subsequent events) by 30% compared to placebo, which means that for every 1,000 patients treated for five years with Vascepa versus placebo in the trial, approximately 159 MACE could be prevented with Vascepa use. An additional seven secondary endpoints were achieved below the key secondary composite endpoint, in order of sequential statistical testing within the prespecified hierarchy: (i) CV death or nonfatal heart attack: 25% RRR ($p < 0.001$); (ii) fatal or nonfatal heart attack: 31% RRR ($p < 0.001$); (iii) urgent or emergent revascularization: 35% RRR ($p < 0.001$); (iv) CV death: 20% RRR ($p = 0.03$); (v) hospitalization for unstable angina: 32% RRR ($p = 0.002$); (vi) fatal or nonfatal stroke: 28% RRR ($p = 0.01$); and (vii) total mortality, nonfatal heart attack or nonfatal stroke: 23% RRR ($p < 0.001$).

Safety Data. Overall AE rates in REDUCE-IT were similar across treatment groups and Vascepa was well tolerated.

BUSINESS OF THE TARGET GROUP

The MARINE Clinical Trial (basis for the first FDA-approved label for Vascepa for reducing TG levels)

Overview. The MARINE trial, one of the largest studies ever conducted with the omega-3 fatty acid ethyl EPA in treating patients with severe HTG levels (>500 mg/dL), according to the Frost & Sullivan Report, was a Phase III, multi-centre, placebo-controlled, randomized, double-blind, 12-week study conducted by Amarin.

Trial Design. Patients were randomized into three treatment arms for treatment with Vascepa 4 gram/day, 2 gram/day or placebo. There were 229 patients enrolled in the clinical trial. The primary endpoint in the trial was the percentage change in TG levels from baseline compared to placebo after 12 weeks of treatment.

Trial Status. The study was completed in 2010.

Efficacy Data. The trial demonstrated favourable results in patient populations, particularly with the 4-gram dose of Vascepa, in reducing TG levels without increasing LDL-C levels.

In the trial, Vascepa met its primary endpoint at doses of 4 grams and 2 grams per day with median placebo-adjusted reductions in TG levels of 33% ($p < 0.0001$) compared to placebo for 4 grams, and 20% ($p = 0.0051$) compared to placebo for 2 grams. Importantly, the significant reduction in TG was not associated with a statistically significant increase in median LDL-C compared to placebo at either dose. In addition, there was a statistically significant decrease in median non-HDL-C (total cholesterol less so-called “good cholesterol”) compared to placebo. The MARINE trial results also included statistically significant reductions compared to placebo in several important lipid and inflammatory biomarkers.

Safety Data. Vascepa was well tolerated in the MARINE trial, with a safety profile comparable to placebo, and no treatment-related serious AEs were observed.

The Target Group’s Phase III Clinical Trial in China (in patients with severe HTG levels (>500 mg/dL and <2000 mg/dL))

Overview. The Target Group conducted a Phase III, multi-centre, placebo-controlled, randomized, double-blind, 12-week study in patients with severe HTG levels (>500 mg/dL and <2000 mg/dL) to evaluate the clinical safety and efficacy of Vascepa in China. The principal investigator for the clinical trial is Dr. Ge Junbo, an academician of the Chinese Academy of Sciences and a professor at Zhongshan Hospital, Fudan University, who is regarded as one of the most prominent figures in the CV research field in China.

Trial Design. Patients were randomized into two treatment arms for treatment with Vascepa 4 gram/day or placebo. The primary endpoint in the trial is the percentage change in TG level from baseline compared to placebo after 12 weeks of treatment. The secondary endpoints in the trial include the percentage change in VLDL-C level from baseline compared to placebo after 12 weeks of treatment and the percentage change in apolipoprotein B from baseline compared to placebo after 12 weeks of treatment.

BUSINESS OF THE TARGET GROUP

Trial Status. The study was completed in December 2020 and enrolled 373 patients in total.

Efficacy Data. The trial demonstrated a favourable efficacy profile. The patient group was administered with 4 g/day of Vascepa showed a statistically significant median TG level decrease of 19.9% ($p < 0.001$) compared to the placebo group at the end of the 12-week treatment period.

Safety Data. Vascepa demonstrated a safety profile similar to placebo. No significant safety concerns were raised in the trial.

Regulatory Communications and Commercialisation

In February 2017, the Target Group received clinical trial approval for Vascepa from the NMPA for the treatment of severe (>500 mg/dL and <2000 mg/dL) HTG and initiated a Phase III clinical trial in August 2017. In May 2023, Vascepa received NDA approval from the NMPA for the treatment of severe HTG levels (>500 mg/dL) and the Target Group commenced sales of Vascepa in China for the treatment of severe HTG in September 2023. In December 2020, Vascepa became the first CVD drug to obtain approval in the Hainan Boao Pilot Zone, which enables domestic PRC patients to benefit from globally innovative drugs that are not yet approved in China and enables the Target Group to collect real-world evidence. In October 2023, the Target Group submitted NDA for the treatment of CRR to the NMPA, and the Target Group obtained approval in June 2024.

In terms of commercialisation, the Target Group first entered into an exclusive distribution agreement with a distributor for pilot sales of Vascepa in the Hainan Boao Pilot Zone in December 2020. In September 2023, the Target Group commenced sales of Vascepa in China for the treatment of severe HTG. The Target Group later commenced sales of Vascepa in China for the treatment of persistent CRR after obtaining the NDA approval from the NMPA. The Target Group has established a sales team for Vascepa. Since the CRR approval, the Target Group is continuing to expand its sales, medical affairs, and marketing teams in key cities. The Target Group conducts various medical education activities for increased HTG awareness, including key opinion leader (“**KOL**”) mapping and outreach, and engagements with leading medical associations. Vascepa has been recommended as a secondary and primary prevention medication for CVD by more than 80 domestic and foreign guidelines/consensus statements. The Target Group is also utilising innovative sales channels, including e-commerce and internet hospitals.

In Hong Kong, the Target Group submitted a new drug marketing application to the Department of Health based on results of the REDUCE-IT clinical trial and the approvals obtained by Amarin in the U.S., Canada and other countries. In February 2022, Vascepa was approved for the treatment of CRR by the competent Hong Kong authority as an adjunct to maximally tolerated statin therapy to reduce the risk of myocardial infarction, stroke, coronary revascularization, and unstable angina requiring hospitalization in adult patients with elevated TG levels (>150 mg/dL) and established CVD or diabetes mellitus and two or more additional risk factors for CVD. In February 2024, the Target Group entered into a distribution agreement with a Hong Kong local distributor to maximise Vascepa’s potential in Hong Kong.

BUSINESS OF THE TARGET GROUP

Mulpleta (Lusutrombopag)

Mulpleta is an innovative second-generation once-daily, orally administered, small molecule TPO-RA indicated for the treatment of thrombocytopenia (“TCP”) in certain patients. Importantly, Mulpleta is the only fast-acting and potent platelet-increasing drug of choice that is not subject to dietary restrictions or drug-drug interactions.

Mulpleta was approved by the Pharmaceuticals and Medical Devices Agency of Japan in September 2015 for the improvement of TCP associated with CLD in patients undergoing an elective invasive procedure. In July 2018, it was approved by the FDA for the treatment of TCP in adult patients with CLD who are scheduled to undergo a procedure. In February 2019, Mulpleta received market authorisation (“MA”) from the European Medicines Agency for the treatment of severe TCP in adult patients with CLD undergoing invasive procedures. Mulpleta has been recommended by the Chinese Society of Clinical Oncology (CSCO) guidelines for cancer therapy-induced TCP with a high 2B level of evidence.

The Target Group obtained an exclusive license for the development and commercialisation of Mulpleta in China, Hong Kong, Macau in 2019 and later acquired the relevant product rights in 2024 after Mulpleta received NDA approval for Mulpleta in China and commenced sales in 2023. It also acquired its U.S. assets from Shionogi. For more details, see “– Acquisition and In-licensing Arrangements – Acquisition Arrangements – Mulpleta”.

The Target Group completed the Phase III clinical trial in China for Mulpleta indicated for the treatment of TCP in adult patients with CLD who are scheduled to undergo invasive procedures, and obtained NDA approval from the NMPA in June 2023. The Target Group currently engages overseas CMOs for the production of Mulpleta. In the second half of 2024, the Target Group initiated the localisation project of Mulpleta’s overseas production technology. It is expected that the localisation of manufacturing for Mulpleta will be completed by early 2027. Following localisation, the overseas supply chain of Mulpleta will also be retained as needed based on market conditions, ensuring dual-region supply. The Target Group expects to execute a gradual localisation procedure, achieving smooth integration of the sales activities and business operations associated with Mulpleta during this transitional period regarding the dual-region supply. The Target Group will work with local CDMO partners to localise the manufacturing of Mulpleta, rather than self-manufacturing, following the localisation of overseas production technologies.

Mechanism of Action

Mulpleta interacts with the transmembrane domain of human TPO receptors expressed on megakaryocytes to induce the proliferation and differentiation of megakaryocytic progenitor cells from hematopoietic stem cells and megakaryocyte maturation.

BUSINESS OF THE TARGET GROUP

Market Opportunity and Competition

TCP is characterized by abnormally low platelet count in blood, occurring in a variety of conditions, including CLD and chemotherapy. The size of China's TCP treatment market increased from RMB4.4 billion in 2019 to RMB8.5 billion in 2024 at a CAGR of 14.2%, and is expected to increase to RMB14.8 billion in 2027 at a CAGR of 20.1% from 2024 and to RMB23.3 billion in 2030 at a CAGR of 16.4% from 2027.

The primary drug therapies to treat TCP include TPO-RA, IL-11 and rhTPO drugs. TPO-RA stands out due to its strong attributes of safety, efficacy, and convenience. TPO-RA has demonstrated a superior safety profile compared to IL-11 and rhTPO drugs, exhibiting fewer drug-drug interactions and AEs. In addition, patients generally exhibit a higher response rate to TPO-RA drugs compared to rhTPO. Unlike rhTPO, TPO-RA does not compete with endogenous TPO, or induce anti-platelet antibodies and can achieve a stable and predictable increase in platelet count. Moreover, TPO-RA drugs can be orally administered, providing greater convenience for patients compared to IL-11 and rhTPO products, which are only available for intravenous administration.

The sales of TPO-RA drugs in China began in 2018, following the approval of first TPO-RA drug in December 2017. The size of the TPO-RA market in China increased from RMB0.2 billion in 2019 to RMB4.1 billion in 2024 at a CAGR of 84.5%, and is expected to increase to RMB7.8 billion in 2027 at a CAGR of 24.0% from 2024 and to RMB11.0 billion in 2030 at a CAGR of 12.0% from 2027, according to the Frost & Sullivan Report.

As at the Latest Practicable Date, only two TPO-RA drugs indicated for the treatment of CLD-associated TCP, Mulpleta and Doptelet, had been launched in China. Compared to Doptelet, Mulpleta has demonstrated crucial clinical advantages. Due to its differentiated metabolic pathway, Mulpleta is not subject to conventional drug-drug interactions that affect Doptelet. Moreover, it is the only approved oral small-molecule non-peptide TPO-RA that can be taken on an empty stomach or with a meal, primarily resulting from its excellent PK/PD profile.

Advantages of the Product

Mulpleta, as the latest-generation TPO-RA product, has demonstrated superior safety and efficacy profiles compared to both IL-11 and rhTPO. No major safety issues were reported in the L-PLUS 1 and L-PLUS 2 Phase III clinical trials. In addition, Mulpleta has demonstrated strong efficacy for the treatment of TCP with fast drug response. In clinical trials, it had observable platelet increase within three to five days post-treatment, which is perceived as higher efficacy than either IL-11 or rhTPO. Moreover, Mulpleta is orally administered, making it more convenient for patients compared to IL-11 and rhTPO therapies, which are only available for intravenous administration.

In TPO-RA drugs, Mulpleta has a superior safety profile with minor potential side effects, compared to Doptelet, and Mulpleta is more convenient without dietary restrictions compared to Doptelet.

BUSINESS OF THE TARGET GROUP

Clinical Trial Data

L-PLUS 2 Clinical Trial (Multinational)

Overview. The L-PLUS 2 clinical trial was a multinational, Phase III, randomized, double-blind, placebo-controlled study conducted by Shionogi that assessed the safety and efficacy of Mulpleta for the treatment of TCP in patients with CLD undergoing invasive procedures.

Trial Design. The study was conducted in 22 countries and enrolled 215 patients. Patients were randomly assigned 1:1 to Mulpleta (3-mg tablet once daily for up to 7 days) and placebo. The primary endpoint was the proportion of patients who required no platelet transfusions before the primary invasive procedure and no rescue therapy for bleeding, as assessed from randomization through 7 days after the procedure.

Trial Status. The study was completed in 2017.

Efficacy Data. Significantly more patients (64.8%) who received Mulpleta than the placebo (29.0%) avoided platelet transfusion before the primary invasive procedure and did not require rescue therapy for bleeding through 7 days after the primary procedure ($P < 0.0001$).

Safety Data. Overall, Mulpleta demonstrated a safety profile comparable with that of the placebo, with no increase in the risk of thrombotic events.

L-PLUS 1 Clinical Trial (Japan)

Overview. The L-PLUS 1 clinical trial was a multicentre, randomized, double-blind, parallel-group, placebo-controlled, Phase III study conducted by Shionogi that evaluated the safety and efficacy of Mulpleta in patients with CLD and TCP undergoing invasive procedures.

Trial Design. The clinical trial enrolled 96 patients in Japan with CLD and TCP (platelet counts below 50,000/ μ L) undergoing invasive procedures. Patients were randomly assigned (1:1) to groups given once-daily Mulpleta (3 mg) or placebo for up to 7 days. The primary efficacy endpoint was the proportion of patients not requiring platelet transfusion before the invasive procedure.

Trial Status. The study was completed in 2015.

Efficacy Data. The proportion of patients who did not require preoperative platelet transfusion was 79.2% in the Mulpleta group and 12.5% (6/48) in the placebo group ($P < 0.0001$).

Safety Data. No significant safety concerns were raised in the trial. No patients died or discontinued the administration of the study drug because of AEs.

The Target Group's Phase III Clinical Trial in China

Overview. The Phase III clinical trial in China was a multicentre, randomized, double-blind, parallel-group, placebo-controlled trial for evaluating the safety and efficacy of Mulpleta in patients with CLD and TCP undergoing invasive procedures.

BUSINESS OF THE TARGET GROUP

Trial Design. Patients are being randomly assigned (2:1) to groups given once-daily Mulpleta (3 mg) or placebo for up to 7 days. The primary efficacy endpoint for the study is the proportion of respondents (platelet counts $>50 \times 10^9/L$ and increased by $20 \times 10^9/L$ from baseline, and avoidance of rescue therapy for bleeding.)

Trial Status. The study was completed in September 2021 and enrolled 66 patients in total.

Efficacy Data. The results showed that, in the preoperative platelet-raising treatment of patients with TCP in CLD who were candidates for elective invasive surgery, the proportion of responders on Day 8 was significantly higher in the Mulpleta group (43.2%) compared to the placebo group (4.5%) at the primary endpoint ($P < 0.05$).

Safety Data. Mulpleta showed good safety and tolerability. Compared with the placebo group, the Mulpleta group had a similar incidence of AEs, and no serious AEs related to the study drug occurred.

Regulatory Communications and Commercialisation

In July 2019, the Target Group received the clinical trial approval of Mulpleta from the NMPA for treatment of TCP in adult patients with CLD who are scheduled to undergo an invasive procedure. Mulpleta received NDA approval from the NMPA in June 2023 and was successfully included in the NRDL in 2024. The Target Group has established a professional sales team to enhance market coverage and has implemented a range of academic promotion initiatives, including sponsorship and participation in national-level conferences, as well as providing continuing medical education to physicians and KOLs to foster greater market acceptance of Mulpleta.

Other Products

The Target Group also has five other products, including Jing Zhu Da, Recormon and three siRNA candidates. For Jing Zhu Da and Recormon, the Target Group holds marketing and distribution rights. The Target Group also in-licensed three novel pre-clinical siRNA candidates.

Jing Zhu Da (Entinostat)

Jing Zhu Da is a novel, oral, selective HDAC inhibitor indicated for the treatment of HR+/HER2- advanced or metastatic breast cancer.

Jing Zhu Da has been investigated in over 50 clinical trials in multiple countries and demonstrated promising efficacy and safety in over 2,000 cancer patients as both a single agent and in combination with other therapies. In addition, its long half-life allows continuous exposure with once-weekly dosing, which will encourage patient compliance and support cost reduction, which may further differentiate Jing Zhu Da from other HDAC inhibitors.

BUSINESS OF THE TARGET GROUP

The Target Group obtained sublicense rights of Jing Zhu Da from Taizhou EOC to carry out the marketing, distribution, sale, and promotion of Jing Zhu Da in China in 2023. See “– Acquisition and In-licensing Arrangements – In-licensing Arrangements – Jing Zhu Da” for details.

Mechanism of Action

Jing Zhu Da selectively inhibits Class I HDACs to improve and regulate histone hyperacetylation and promote transcription activation of specific genes, and ultimately inhibit cell proliferation, accelerate terminal differentiation and/or induce apoptosis. Jing Zhu Da has significant advantages over non-selective pan-HDAC inhibitors.

Market Opportunity and Competition

HR+/HER2- is the most common breast cancer subtype in China. The number of HR+/HER2- breast cancer patients in China increased from 214.7 thousand in 2019 to 242.8 thousand in 2024, and is expected to continue to rise to 259.0 thousand in 2027 and 274.2 thousand in 2030, according to the Frost & Sullivan Report.

Currently, CDK4/6i combined with endocrine therapy is the first-line therapy for advanced or metastatic breast cancer. However, resistance to CDK4/6i occurs frequently in patients. Around 65% of HR+/HER2- advanced or metastatic breast cancer patients progress to second-line treatment. More treatment options are necessary to address the needs of patients who fail first-line treatments such as CDK4/6i, TAM and AI. HDAC inhibitors and mTOR inhibitors are the key targets in anti-tumour therapy used in combination with endocrine therapy as second-line treatment for HR+/HER2- advanced or metastatic breast cancer.

Research suggests that the combination of exemestane (an aromatase inhibitor) with HDAC inhibitors, with fewer drug-related severe AEs, shows a better safety profile compared to the combination of exemestane with mTOR inhibitors. As the market awareness enhances, the potential of HDAC inhibitors is expected to be progressively realised. The size of HDAC inhibitor market in China increased from RMB0.2 billion in 2019 to RMB0.5 billion in 2024, and is expected to increase to RMB1.8 billion in 2027 at a CAGR of 52.7% from 2024 and to RMB5.3 billion in 2030 at a CAGR of 42.8% from 2027. As at the Latest Practicable Date, the only HDAC inhibitors approved by NMPA in China for HR+/HER2- breast cancer were Epidaza[®] from Chipscreen and Jing Zhu Da.

Advantages of the Product

Due to limited second-line treatment options, there is an urgent clinical need for effective treatment plans to prolong survival. With its unique mechanism of action, Jing Zhu Da not only inhibits tumour growth and delays endocrine and CDK4/6i resistance, addressing first-line treatment resistance, but also exerts a synergistic effect, sensitizing patients to endocrine therapy, CDK4/6i, and immunotherapy, enabling patients to benefit with improved PFS and OS. Jing Zhu Da is expected to become a foundational treatment for advanced HR+/HER2- patients after endocrine therapy failure. Compared to Epidaza[®], Jing Zhu Da has demonstrated

BUSINESS OF THE TARGET GROUP

advantages in safety and convenience, with lower gastrointestinal and hematological toxicity in non-head-to-head trials and a once-weekly dosing regimen compared to Epidaza[®] with a twice-weekly dosing regimen. Moreover, Jing Zhu Da in combination with AI has an OS of 38.4 months, while Epidaza[®] in combination with AI had an OS of 30.3 months in non-head-to-head trials.

Clinical Trial Data

Taizhou EOC completed a randomized, double-blinded, placebo-controlled Phase III clinical trial of Jing Zhu Da in combination with exemestane for the treatment of patients with advanced HR+/HER2- breast cancer. The primary endpoint of the trial was met. The results showed that Jing Zhu Da in combination with exemestane demonstrated a statistically significant improved progression free survival (median progression free survival: 6.32 months), compared with placebo plus exemestane (median progression free survival: 3.72 months), in patients with advanced HR+/HER2- breast cancer who had progressed after previous endocrine therapy, with significant statistical difference (HR 0.76, p=0.046). In addition, Jing Zhu Da demonstrated an improved overall survival (OS) compared to placebo, with a median OS of 38.39 months versus 29.18 months (HR 0.837, p=0.237). After adjusting for the imbalanced use of subsequent new anti-cancer treatment, the HR for OS was 0.78 (95% CI 0.58-1.05). Jing Zhu Da also demonstrated a favourable safety profile in the same trial.

Regulatory Communications and Commercialisation

The Target Group obtained marketing, distribution, sale, and promotion rights of Jing Zhu Da in China from Taizhou EOC in 2023. See “– Acquisition and In-licensing Arrangements – In-licensing Arrangements – Jing Zhu Da” for details. Taizhou EOC submitted NDA to the NMPA in December 2022 and received NDA approval in April 2024.

The initial commercial production was completed within one month after obtaining the NDA approval and the commercial sales commenced in June 2024. The Target Group established a dedicated sales team for oncology products and developed a clear market sales plan to actively facilitate hospital access for Jing Zhu Da. Additionally, the Target Group will advance the NRDL inclusion of Jing Zhu Da and explore investigator-initiated trials to expand the indications for Jing Zhu Da.

Recormon

Recormon (recombinant human erythropoietin beta (“**rhEPOβ**”) Injection (CHO Cell)) is used for the treatment of cardio-renal- anaemia syndrome. Recormon is the only marketed rhEPOβ injection product in China. It is included in Category B of the NRDL. The Target Group has marketed Recormon in China on an exclusive basis since 2018. The Target Group’s exclusive marketing and distribution agreement for Recormon will expire in January 2028.

BUSINESS OF THE TARGET GROUP

SiRNA candidates

In September 2023, the Target Group entered into an in-licensing agreement with Nanopeptide (Qingdao) Biotechnology Ltd. for the exclusive development, manufacturing and commercialisation of two novel pre-clinical siRNA candidates as potential treatments for chronic disease. The Target Group further in-licensed another siRNA candidate in May 2024 from the same company. For details of the Target Group's relevant arrangements, please see "– Acquisition and In-licensing Arrangements – In-licensing Arrangements". One of the candidates submitted its IND application in March 2025 and received its IND approval in June 2025, for which the Target Group has completed patient enrollment in the second half of 2025. The other two candidates are nearing PCC confirmation and are expected to enter into IND-enabling stage in 2025.

Discontinued Products

During the Track Record Period, under the exclusive marketing and distribution arrangements, the Target Group marketed and distributed products that it has ceased to sell, including (i) Zinacef, an originator-branded cefuroxime product, until the expiration of the relevant exclusive marketing and distribution agreement in December 2023, as Zinacef became subject to the VBP scheme which increased market competition, (ii) Fortum, an originator-branded anti-infective drug, until the expiration of the relevant exclusive marketing and distribution agreement in December 2023, as the supplier for Fortum was unable to provide with an adequate supply on time due to the supply shortage of APIs, leading the Target Group to discontinue its sales in the first half of 2022, and (iii) Aminoplasmal Hepa, upon mutual agreement with B.Braun, who is the product right holder, since December 2020. According to the terms of the relevant marketing and distribution agreements, the Target Group is permitted to continue to sell the remaining stock of Zinacef, Fortum and Aminoplasmal Hepa after the expiry of such agreements. As such, although the marketing and distribution agreements expired, the Target Group has been able to sell the products from its remaining inventory. For the aforementioned discontinued products, the Target Group has not experienced, and is not currently involved in, any dispute or litigation with the counterparties to the exclusive marketing and distribution arrangements that would have any material adverse impact on the Target Group's business operations, financial performance or growth prospects.

Under the exclusive marketing and distribution arrangements, the Target Group primarily conducted: (i) research and development and regulatory approval advisory services to relevant product right holders (if the products have not been approved for marketing in China), and (ii) sales and marketing for products approved to be marketed in China. These products accounted for an insignificant portion of the Target Group's revenue during the Track Record Period, and the Target Group discontinued sales of these products to consolidate resources on the Target Group's key products or for other commercial reasons.

ACQUISITION AND IN-LICENSING ARRANGEMENTS

Acquisition Arrangements

Vancocin and Ceclor

In October 2019, the Target Group completed the acquisition of the marketing authorizations (“**MA**s”) and other assets for Vancocin and Ceclor from Eli Lilly for a combined total consideration of US\$360.5 million (equivalent to RMB2,594.9 million) and RMB489.6 million pursuant to a series of acquisition arrangements.

As part of the transaction, the Target Group acquired from Eli Lilly the MA in Italy for Vancocin and the MA in China for Ceclor. The Target Group subsequently became the MAH for Vancocin in China by holding the China imported drug license, which was issued based on the Target Group’s MA rights in Italy. In addition, the Target Group acquired a Ceclor manufacturing facility located in Suzhou and relevant assets that are necessary for its operations to manufacture Ceclor products, and became the holder of the relevant drug manufacturing license and the China cGMP certificate for these products. The Target Group retained employees from Eli Lilly who worked at the Ceclor manufacturing facility. The Target Group also retained a number of CMOs and suppliers located in Europe, the U.S. and China for the manufacturing and supply of Vancocin and Ceclor. Moreover, the Target Group acquired from Eli Lilly certain PRC-registered trademarks relating to Vancocin and Ceclor and obtained the exclusive, perpetual and royalty-free licenses under certain know-how of Vancocin and Ceclor for sales in the PRC.

The Target Group marketed and distributed Vancocin and Ceclor in China on an exclusive basis since 1 January 2017 for an initial term of ten years, pursuant to an exclusive distribution agreement entered into between Eli Lilly and the Target Group in October 2016 and a series of supplemental arrangements, all of which were terminated upon the completion of the acquisition.

See “– Sales and Marketing – Sales and Distributorship – Overview” for distribution model of Vancocin and Ceclor.

FPN

In May 2020, the Target Group completed the acquisition of the imported drug license (“**IDL license**”) and MA for FPN, as well as a technology transfer for FPN production in China from GSK for a total consideration of £52.5 million (equivalent to RMB490.6 million), which included a £2.5 million (equivalent to RMB23.4 million) non-refundable upfront payment and a £45 million (equivalent to RMB420.5 million) payment upon submission of IDL change to the Target Group. GSK would also receive £5 million (equivalent to RMB46.7 million) to help with the technology transfer for the nebulization procedure, among which £2.7 million (equivalent to RMB25.2 million) had been paid by the Target Group as at the Latest practicable Date. As part of this divestment, GSK would supply the finished product to the Target Group

BUSINESS OF THE TARGET GROUP

until 31 December 2023, subject to a one-year extension upon agreement. The Target Group is obligated to pay GSK for the purchases according to the supply prices specified in the manufacturing and supply agreement, which are subject to adjustments on an annual basis reflecting actual changes in GSK's costs.

See “– Sales and Marketing – Sales and Distributorship – Overview” for distribution model of FPN.

Mulpleta

In March 2019, the Target Group entered into an exclusive license and distribution agreement with Shionogi. With the execution of the agreement, the Target Group was granted exclusive licenses for the development and commercialisation of lusutrombopag (brand name in Japan: Mulpleta®) in China, Hong Kong, and Macau.

The Target Group made an upfront payment of JPY700 million (equivalent to RMB35.1 million) to Shionogi and may be required to pay further milestone payments to Shionogi if certain commercialisation milestones are achieved. The Target Group is responsible for carrying out research and development activities in the licensed territories at the Target Group's own cost, including conducting clinical trials and preparing regulatory approval filings. Shionogi is responsible for supplying the licensed product to the Target Group. Shionogi and the Target Group shall cooperate on the application for regulatory approval in the licensed territories. The Target Group is not required to make royalty payment for sales of Mulpleta.

The Target Group's license and distribution arrangement with Shionogi will remain in effect for fifteen years after the first commercial sales of Mulpleta in the licensed territories and the initial term will be automatically extended successively every three years, subject to certain limitations.

After the Target Group received NDA approval for Mulpleta in China for the treatment of TCP in patients with CLD in June 2023 and commenced sales in November 2023, the Target Group further entered into an asset purchase agreement with Shionogi in September 2024, pursuant to which the Target Group acquired the product rights of Mulpleta in China, Hong Kong, and Macau and the original exclusive license and distribution agreement was terminated. Under the terms of the agreement, the Target Group made an upfront payment of US\$1.5 million (equivalent to RMB10.9 million) and is also obligated to make additional payments upon achieving certain commercialisation milestones.

In addition, in December 2023, the Target Group entered into an asset purchase agreement with Shionogi and acquired Mulpleta's U.S. assets, including IP, approvals and permits, inventory, books and records, among other things, and made a payment of US\$1.5 million (equivalent to RMB10.9 million). Pursuant to the agreement, the Target Group became the MAH of Mulpleta in the U.S.

See “– Sales and Marketing – Sales and Distributorship – Overview” for distribution model of Mulpleta.

In-licensing Arrangements

Vascepa

In February 2015, the Target Group entered into a development, commercialisation and supply agreement for Vascepa with Amarin. Under the agreement, the Target Group obtained an exclusive, payment-bearing license (with the right to sublicense under certain circumstances) under certain patents and know-how of Amarin to develop and commercialise Vascepa in Greater China in the field of all human pharmaceutical uses, among others.

In accordance with the agreement, the Target Group established a joint development committee with Amarin of equal representation from each party to coordinate, oversee and make decisions in relation to the development of Vascepa in the licensed territories. The Target Group is obligated to use commercially reasonable efforts to develop and commercialise Vascepa according to the relevant development and commercialisation plans. In particular, the Target Group is responsible for carrying out research and development activities in the licensed territories at the Target Group's own cost, including conducting bridging studies, clinical studies and post-regulatory approval studies as well as preparing relevant regulatory approval filings. The Target Group is responsible for the preparation of all the regulatory materials for obtaining the relevant approvals. Amarin is obligated to use commercially reasonable efforts to manufacture and supply all quantities of the finished products or bulk products for clinical and commercial use in the licensed territories. If the Target Group rejected the finished products or bulk due to non-conformance of agreed quality standards, the Target Group may destroy or return the rejected products to Amarin and is entitled to replacements or credits for these products.

As of the Latest Practicable Date, under the terms of the agreement, the Target Group made an upfront payment of US\$15.0 million (equivalent to RMB108.0 million) and development milestone payments of US\$24.0 million (equivalent to RMB172.8 million) to Amarin. In addition, the Target Group will pay Amarin royalties at tiered double-digit percentage rates in the range of low- to mid-teens on the net sales of Vascepa, until the later of the date on which Vascepa is no longer covered by a valid claim of a relevant patent, or the twelfth anniversary of the first commercial sale of Vascepa in China. The Target Group's agreement with Amarin will remain in effect until the expiration of the royalty term and may be terminated early by either party for the other party's uncured material breach or as a result of bankruptcy. In addition, with a notice period, the Target Group can terminate the agreement immediately following the third anniversary of the first commercial sale of Vascepa in China. The expiration date of the royalty term under the agreement with Amarin for Vascepa is determined on a product-by-product basis and ends on the later of: (i) the date when the product is no longer covered by a valid patent claim, or (ii) the twelfth anniversary of the product's first commercial sale in the PRC, unless the agreement is terminated earlier.

See “– Sales and Marketing – Sales and Distributorship – Overview” for distribution model of Vascepa.

BUSINESS OF THE TARGET GROUP

Jing Zhu Da

In May 2023, the Target Group (Eddingpharm Suzhou) entered into a sublicense agreement with respect to Jing Zhu Da with Taizhou EOC, who was granted by Syndax Pharmaceuticals, Inc. through EOC Pharma (Hong Kong) Limited an exclusive sublicense in China to carry out the development, regulatory approval, commercialisation, and manufacturing activities with respect to Jing Zhu Da. Pursuant to the agreement, the Target Group obtained an exclusive license to the full extent of the rights obtained by Taizhou EOC and are entitled to carry out the marketing, distribution, sale, and promotion of Jing Zhu Da in the licensed field in China. To the extent the two-invoice policy is applied towards the sales of Jing Zhu Da, a commission model will be adopted, under which the Target Group is entitled to designate one or more third-party distributors to purchase the product directly from Taizhou EOC and further distribute in China. Under the commission model, Taizhou EOC will book the sales to the designated distributors and pay the Target Group commission fees.

In accordance with the agreements, the Target Group and Taizhou EOC established a joint steering committee with equal representation from each party to monitor and discuss the status and progress to oversee the performance of the sublicense agreement, supply and purchase for Jing Zhu Da, and other activities related to the licensed products in the licensed territories. Under the agreement, Taizhou EOC is responsible for obtaining and maintaining NDA approval and conducting all necessary development activities for the licensed product in China at its own cost and expense. As Taizhou EOC will be the MAH of the licensed product, it will manufacture the licensed product at GMP approved facilities in accordance with the regulatory approval and receive and accept all purchase orders for the licensed product. Therefore, the Target Group does not self-manufacture Jing Zhu Da. At the same time, the Target Group has sole control over all promotion and marketing activities relating to the licensed product, and are obligated to use commercially reasonable efforts to commercialise Jing Zhu Da. As of the Latest Practicable Date, the Target Group had made an upfront payment of RMB40.0 million to Taizhou EOC, and a milestone payment of RMB20.0 million to Taizhou EOC after NDA approval was obtained in the PRC. In addition, the Target Group will pay to Taizhou EOC tiered royalties at percentage rates ranging from 15% to 20% on the net sales of the licensed product, until the later of (i) the expiration of the last valid Syndax patent in China, or (ii) 15 years after the first commercial sale of the licensed product in China.

The Target Group receives commission for sales of Jing Zhu Da and thus acts as an agent for Jing Zhu Da. See “– Sales and Marketing – Sales and Distributorship – Overview” for distribution model of Jing Zhu Da.

Pre-clinical siRNA Candidates

In September 2023, the Target Group entered into an in-licensing agreement with Nanopeptide (Qingdao) Biotechnology Ltd. (“**Nanopeptide**”) for the exclusive development, manufacturing, and commercialisation in Greater China and Southeast Asia of two novel pre-clinical siRNA candidates. Under the terms of the agreement, the Target Group has obtained full intellectual property rights for these two candidates in Greater China and

BUSINESS OF THE TARGET GROUP

Southeast Asia, and the Target Group has exclusive rights for their development, manufacturing, and commercialisation in these regions. The Target Group has made an upfront payment to Nanopeptide, and will make further milestone payments if the NMPA approves the NDA for the two siRNA candidates in the PRC. Additionally, the Target Group will pay Nanopeptide royalties in amounts equal to certain percentage of the net sales of the licensed products. In May 2024, the Target Group entered into another in-licensing agreement with Nanopeptide for the exclusive development, manufacturing, and commercialisation in Greater China and Southeast Asia of another novel pre-clinical siRNA candidate, which has similar arrangements to the previous agreement.

Other Arrangements

During the Track Record Period, the Target Group also had Recormon and certain products that the Target Group marketed and sold during the Track Record Period but has ceased to sell. The Target Group typically enters into exclusive marketing and distribution agreements for such products with the MNCs.

Under the Target Group's exclusive marketing and distribution agreements, MNCs typically grant the Target Group the exclusive right to market and sell the products in China for a certain period of time and agree to supply all of the Target Group's requirements for the products during the same period. For a limited number of domestically manufactured products, in response to the implementation of the two-invoice system across China and under the exclusive marketing and distribution agreements, MNCs typically granted the Target Group the exclusive right to market the products in China and the Target Group is entitled to receive marketing and promotion service fees by executing supplemental agreements to the corresponding original exclusive marketing and distribution agreements. The Target Group maintains inventory and recognizes sales revenue for these products, thereby acting as a principal in these arrangements. See “– Sales and Marketing – Sales and Distributorship – Overview” for details on distribution model of these products. The exclusive marketing and distribution agreements typically remain effective for an initial term, unless terminated early. Either party may terminate the agreement upon written notice if the other party is in material breach, or if, after good faith negotiation, the parties fail to agree to revise the supply price in certain circumstances. Instances of material breach typically include, among others, the products are subject to product liability claims or have safety issues, and MNCs fail to supply the Target Group's requirements for the products. In the event of early termination, MNCs are typically obliged to refund, in whole or in part, the payments the Target Group has made for the products.

RESEARCH AND DEVELOPMENT

Overview

The Target Group is committed to building an integrated drug research and development system. The Target Group's research and development department, which consists of a clinical operation team, a medical team, and a drug registration team, has a full range of capabilities and experience for drug identification, pre-clinical research, and clinical trials. As at 31 December 2024, the Target Group's research and development department consisted of 135 employees. The Target Group also works closely with leading MNCs and biotechnology companies to jointly research, develop and commercialise the Target Group's in-licensed products. In addition to the Target Group's internal research and development efforts, the Target Group cooperated with contract research organisations (“CROs”) for clinical trials of Vascepa and Mulpleta. For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, Target Group's research and development expenses amounted to RMB95.3 million, RMB125.0 million, RMB121.9 million and RMB72.7 million, respectively.

Product Screening and Identification

The Target Group rigorously monitors and evaluates the commercial prospects of potential acquisition targets and communicate regularly with licensing partners to screen and identify products. In the Target Group's selection process, the Target Group primarily focuses on global pharmaceutical companies with high-value potential acquisition targets in the Target Group's key therapeutic areas, advanced innovation capabilities and established industry reputation. Based on the Target Group's deep insights in the China market and the Target Group's well-established international connections, the Target Group conducts research on the latest developments in the Target Group's key therapeutic areas across all major indications and therapies to identify promising acquisition or in-licensing assets to address medical needs.

The Target Group has a streamlined product screening and selection process. The Target Group's business development, clinical development and CMC teams closely interact in this process:

- *Evaluation of market potential.* The Target Group's business development team begins the search for potential acquisition targets and in-licensing drug candidates by evaluating commercial value. The Target Group conducts a comprehensive market potential analysis of a commercialized product or product candidate, including the drivers of growth, synergies with the Target Group's existing products, drug targets, potential market size and clinical needs, availability of substitute products, profitability and strategic fit to the Target Group's long-term growth plan.

BUSINESS OF THE TARGET GROUP

- *Evaluation of feasibility.* The Target Group conducts additional feasibility studies for potential acquisition targets and in-licensing drug candidates. The Target Group analyzes drug assets' critical attributes and benefits and alternative treatments in China. The Target Group also researches the regulatory pathways for obtaining clinical trial approvals and marketing approvals in China.
- *Pre-planning of clinical trials and manufacturing.* The Target Group's clinical development team and CMC team also participate early in the drug selection process. They help to identify potential obstacles in the clinical development and manufacturing stages and evaluate the likelihood of successful clinical trials and commercial production.
- *Final decision.* Based on the results of cross-departmental assessment, the Target Group's senior management makes final decisions on whether to continue the development of potential acquisition targets and in-licensing drug candidates.

Upon identifying a promising acquisition target or in-licensing drug candidate, The Target Group negotiates with the relevant pharmaceutical company by leveraging the Target Group's rich deal execution experience and deep industry insights.

Clinical Development

The Target Group's clinical development team manages substantially all stages of clinical trials, including clinical trial design, implementation, drug supply, and the collection and analysis of trial data.

The Target Group designs the clinical trial protocol to ensure the scientific and innovative nature of studies, and the Target Group's third-party suppliers to carry out clinical studies in strict accordance with applicable regulations and SOPs. Moreover, the Target Group is in charge of data verification during clinical trials and reexamining the data after clinical trials are completed.

Regulatory Affairs

The Target Group has built a dedicated regulatory affairs team responsible for the regulatory approval processes of the Target Group's product candidates, including assembling application dossiers for investigational new drug/clinical trial application ("IND/CTA") and NDA, addressing inquiries from relevant authorities, and monitoring the Target Group's research and development projects to ensure their compliance with relevant regulations. This team works closely with the Target Group's clinical development team, CMC team, business development team and sales and marketing team and cooperates with them on various issues, including coordinating, preparing and reviewing regulatory submissions and organising relevant conferences and meetings with regulatory agencies in China. The Target Group has successfully obtained IND for Vascepa and Mulpleta. The Target Group conducted the Phase III clinical trial in China for the treatment of severe HTG for Vascepa and submitted NDA to

BUSINESS OF THE TARGET GROUP

the NMPA in December 2020. In May 2023, Vascepa received NDA approval from the NMPA for the treatment of severe HTG levels (>500 mg/dL). Vascepa also received NDA approval from the NMPA for the treatment of CRR in June 2024. In addition, the Target Group has also successfully obtained approvals for the manufacturing facilities of Ceclor and FPN.

As the Target Group continues to advance the commercialisation of its products, the Target Group seeks to include its products in the NRDL. The inclusion of a drug in the NRDL can be a strong growth driver for its sales, according to the Frost & Sullivan Report.

Collaboration with Licensors

The Target Group has worked closely with leading MNCs and biotechnology companies, including Amarin, Shionogi, and Eli Lilly, to jointly carry out research and development activities with respect to the Vascepa and Mulpleta, as well as to enhance the Target Group's own research and development capabilities. Through these collaborations, the Target Group has been able to utilise the advanced research and development capabilities of the Target Group's licensors to facilitate the research and development process, optimise clinical operations and accelerate commercial ramp-up of the Target Group's products.

The Target Group's collaborations mainly take the form of in-licensing, co-development and co-commercialisation arrangements. The terms and conditions of the Target Group's in-licensing and other arrangements vary depending on the nature and status of the relevant product candidate. For details, see “– Acquisition and In-licensing Arrangement – In-licensing Arrangements”.

Cooperation with Tigermed

The Target Group has an established strategic cooperation relationship with Tigermed, the Target Group's major CRO, to support the Target Group's clinical development design and clinical trials in China. The Target Group works closely with Tigermed in the research and development of Vascepa and Mulpleta. The Target Group selected Tigermed after considering its academic qualifications, industry reputation, compliance with relevant regulatory agencies and cost competitiveness.

The Target Group entered into a master agreement with Tigermed under which individual projects are executed through specific work orders. Under the Target Group's agreements with Tigermed, Tigermed provides the Target Group with services such as the implementation and management of clinical research projects as specified in the Target Group's master agreement or in a work order. Tigermed is required to perform its services within prescribed time limits set out in each work order. The Target Group is required to make payments to the Tigermed in accordance with the payment schedule agreed upon by the parties. The service fee charged by Tigermed is determined based on various factors, including the nature of and workload

BUSINESS OF THE TARGET GROUP

required for a task, medical services provided for a task and clinical trial-related fees. The Target Group is required to make instalment payments according to milestones achieved for a task. The master agreement has an initial term of five years and is automatically renewed on an annual basis unless either party provides written notice of non-renewal at least 30 days prior to the renewal date.

Respiratory Laboratory

The Target Group has a modern and advanced R&D laboratory for respiratory medicines located in its FPN manufacturing facility in Suzhou. Currently, the Target Group possesses advanced respiratory product formulation and process technologies and analytical capabilities, and the Target Group is endeavoring to become one of the first companies in China capable of completing the R&D and localisation of respiratory products.

The Target Group has a dedicated respiratory CMC team which is primarily responsible for pre-formulation, formulation development, process development, analytical development, laboratory management and other preclinical, clinical and manufacturing support. The Target Group's CMC team identifies, at an early stage, characteristics of a drug candidate that may impede clinical trials or commercial production. The Target Group's CMC team manages clinical trial supplies in order to ensure product quality and best-practice supply chain operations and is responsible for developing full-scale industrial manufacturing processes. The Target Group's CMC team also supervises the laboratory's operations and quality control.

QUALITY MANAGEMENT, MANUFACTURING AND INTERNATIONAL SUPPLY CHAIN MANAGEMENT

In connection with the Target Group's acquisition for Vancocin and Ceclor in October 2019 and for FPN in May 2020, the Target Group obtained extensive know-how for quality management, manufacturing and supply chain management. The Target Group also acquired from Eli Lilly an advanced Ceclor manufacturing facility located in Suzhou and constructed a manufacturing facility for FPN. The Target Group has strong international supply chain management capabilities, demonstrated by its management of Vancocin's European supply chain since 2019 and Mulpleta's supply chain in Japan and in the U.S. since the second half of 2024. As MAH of these products, the Target Group is responsible for quality management of the entire supply chain, from raw material and supplier management, to sterile production and quality control, and the quality management of all packaging and logistics activities.

BUSINESS OF THE TARGET GROUP

“6Ms” Quality Management Systems

The Target Group has established a proprietary and robust quality management system that meet high standards developed by leading MNCs and biotechnology companies. The Target Group consistently improve and optimise the Target Group’s quality management systems by leveraging the Target Group’s accumulated industry know-how. The Target Group’s quality management system is comprised of six major respects, or “6Ms” (Manpower, Method, Machine, Material, Milieu and Measurement), that cover all aspects of the Target Group’s manufacturing and supply chain management functions. The major aspects of the Target Group’s “6Ms” quality management systems are set out below.

Manpower (Human Capital)

The Target Group has established a dedicated quality management team comprising quality assurance personnel, quality control personnel and quality compliance personnel. The Target Group designed more than 100 types of qualification certifications for employees at the Target Group’s Ceclor manufacturing facility. The Target Group’s employees are required to obtain the relevant qualification certifications by participating in-house studies and passing relevant tests, which help the Target Group promote their working competence and efficiency. The Target Group regularly provides its employees technical practice, lectures, seminars and online training in relation to quality management.

Machine (Equipment & Production Line)

The Target Group has rigorously implemented life-cycle management measures for the Target Group’s equipment and production lines to ensure they are all in good working order. The Target Group conducts regular maintenance and repair work in compliance with the latest version of China cGMP requirements. Leveraging the Target Group’s proactive maintenance approach, the Target Group’s Ceclor manufacturing facility achieved high-level total effective equipment performance with minimized unplanned downtime and a high overall utilisation rate of nearly 90% during the Track Record Period.

Materials and Finished Products

The Target Group continuously monitor its quality management processes from the raw materials procurement stage to the final product stage. Highlights of the Target Group’s product lifecycle quality management measures are set out below:

- *Procurement.* The raw materials and finished products provided by the Target Group’s CMOs and supplies are required to meet both China cGMP standards and harmonized international standards, including those in the EU and the U.S. The Target Group regularly conducts on-site inspection and audit at key material suppliers’ production facilities. The Target Group’s quality management team inspects each batch of supplies for quality consistency.

BUSINESS OF THE TARGET GROUP

- *Production in-process and finished products.* The Target Group has established a real-time monitoring system which closely monitors every key process variable. The Target Group's highly automated production lines in its Ceclor manufacturing facility consistently screen out and discard in-process or semi-finished products that fail to meet certain criteria during the production process. Each batch of the Target Group's products is subject to a sample inspection and only final products that have passed all testing requirements can be released and sold to the market.
- *Inventory management.* The Target Group has implemented an inventory management system that monitors each stage of the warehousing process. The Target Group's warehousing personnel are responsible for receiving inspection, warehousing, storage and distribution of production materials and finished products.
- *Logistics and delivery management.* The Target Group has entered into logistics service agreements with suppliers both in China and for the Target Group's international supply chain. Pursuant to these arrangement, logistics service providers are required to provide delivery services in a safe and timely manner, while the Target Group is responsible for the quality of goods. In addition, the Target Group's logistics service providers are responsible for any loss caused by their negligence during their provision of the logistics services.
- *After-sales service.* The Target Group's quality management department receives feedback from hospitals, other medical institutions and patients and handles any complaints with regard to the quality of the Target Group's products. The Target Group has dedicated personnel who take complaint calls and regularly review and analyse the feedback received. Upon receipt of a complaint, the Target Group conducts investigations and ensure that necessary measures are taken. The Target Group has established product recall procedures and prescribed recall guidelines and processes, which specify the responsible person to notify upon a recall and the handling procedures for recalled products.

Method

The Target Group has adopted the "Quality by Design" ("QbD") approach throughout its manufacturing and supply chain management processes. The Target Group strictly follows the QbD standards developed by the International Conference on Harmonization. Instead of relying on finished product testing alone, the Target Group's comprehensive and systemic quality management protocols cover the entire product development and production lifecycle from raw material sourcing, to manufacturing, logistics and after-sales services in order to monitor product quality at all stages.

BUSINESS OF THE TARGET GROUP

The Target Group has developed the Target Group's quality management standards following high standards adopted by leading MNCs and biotechnology companies. The Target Group's comprehensive quality management standards have twelve sections: (i) quality management, (ii) personnel, (iii) premises and equipment, (iv) documentation, (v) production, (vi) packaging and labelling, (vii) quality control, (viii) outsourced activities, suppliers and materials, (ix) complaints and product recall, (x) self-inspections and audits, (xi) validations and qualification, and (xii) product distribution practices.

Milieu (Environment)

The Target Group is committed to reducing its environmental impact by cutting greenhouse gas emissions, reducing water impact and redirecting waste to beneficial use. The Target Group carries out environmental testing on all its pharmaceuticals to evaluate their potential environmental impact. The Target Group takes steps to minimise the risk of any active pharmaceutical ingredients entering the environment as a result of its manufacturing processes. The Target Group has made a substantial investment to upgrade its facilities in furtherance of achieving the Target Group's environmental commitments.

Measurement

The Target Group harnesses technology to unlock smarter and safer operations for the Target Group's manufacturing facility. The Target Group has built comprehensive IT infrastructure that covers the entire lifecycle of its manufacturing process, including laboratory information management system, electronic batch record system, electronic document management system, electronic learning management system, process parameter monitoring system and facility monitoring system. In particular, the Target Group has highly-automated production processes enhanced with PMX-MES enterprise production management software. The Target Group's systems can monitor every key process-variable in its manufacturing processes on a real-time basis utilising advanced tools, such as SAP and OSI-PI software solutions.

The Target Group's equipment and technical devices at its Ceclor manufacturing facility can detect impurities with an accuracy of one ten-millionth. The Target Group's Ceclor manufacturing facility has achieved a 6 σ quality level, the highest quality control level in the pharmaceutical industry, representing a 99.99966% statistical product yield rate.

The Target Group continuously optimises its operational performance and routinely implement efficiency improvement and cost optimisation initiatives. The Target Group conducts key performance indicator planning and track its optimisation initiative implementation on a periodic basis.

BUSINESS OF THE TARGET GROUP

Quality Management in Collaboration with Third Parties

For other products for which the Target Group is not MAH, such as Recormon, the Target Group works in collaboration with both upstream and downstream companies to ensure quality monitoring and mitigate the risk of potential product recalls. According to regulations in the PRC, the MAH bears the responsibility for ensuring the safety, efficacy, and quality control of drugs throughout the entire process of development, production, and sales. In the case of drugs not sold under the MAH model, the Target Group has signed quality assurance agreements with the respective MAHs, outlining the responsibilities of both parties in terms of quality control. Additionally, the Target Group has entered into agreements with all distributors and have established a dedicated quality control team to promptly report any drug quality incidents or safety events to the MAHs.

Moreover, the Target Group has implemented a stringent acceptance process for each batch of drugs, which involves verifying drug inspection reports and checking drug packaging, labels, and instructions to ensure compliance with relevant national regulations. Depending on the type of drug, the Target Group carefully selects appropriate transportation methods to adhere to the Good Supply Practice regulations for drug transportation in China. This ensures the safety of transportation and guards against potential issues like loss or theft.

In the event that the MAH identifies quality issues and initiates a recall of supplied drugs, the Target Group extends its full assistance to fulfil their recall obligations. The Target Group promptly recalls the affected drugs in accordance with the MAH's instructions and provide timely feedback to MAH.

After-sales Service and Warranty

The Target Group did not provide any warranties on its products and did not have any provisions for warranty claims during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, the Target Group had not experienced any material complaint or product liability or other legal claims from its customers due to problems associated with product quality.

Manufacturing

Ceclor Manufacturing Facility

The Target Group currently manufactures seven products in three dosage forms for Ceclor in the Target Group's Suzhou Ceclor manufacturing facility, which occupies approximately 30,000 square meters with a total gross floor area of approximately 9,540 square meters. After the Target Group's acquisition of Ceclor, the Target Group retained employees from Eli Lilly at the Ceclor manufacturing facility.

BUSINESS OF THE TARGET GROUP

The Target Group's Ceclor manufacturing facility is equipped with modern and advanced equipment, modules and production lines throughout its manufacturing processes, which were imported from globally leading companies from Sweden, Germany and Italy. The Target Group's advanced equipment and production lines are critical not only for ensuring quality consistency, stability, safety and efficacy, but also for providing high-standard, safe and environmental-friendly working conditions. The Target Group' applies its sophisticated quality management system to this facility. See “– ‘6Ms’ Quality Management Systems”.

Since the acquisition, the Target Group has significantly expanded Ceclor's designed annual production capacity while achieving a consistent utilisation rate of nearly 90% since 2021. The Target Group also plans to further upgrade capacity to meet growing market demand, investing in the expansion of its small molecule manufacturing facility for Ceclor Sachet in Suzhou, which will increase annual manufacturing capacity to 300 million sachets.

BUSINESS OF THE TARGET GROUP

The following table sets forth the designed production capacity, actual production volume and utilisation rate of Ceclor products for the periods indicated.

		For the year ended 31 December				For the six months ended 30 June			
		2023				2024			
		2022		Designed		Designed		2025	
		Production capacity ⁽¹⁾	Production volume	Utilisation rate (%) ⁽²⁾	Production capacity ⁽¹⁾	Production volume	Utilisation rate (%) ⁽²⁾	Production capacity ⁽¹⁾	Production volume
Ceclor Sachet	million sachets	180.0	165.1	91.7	216.0	195.1	90.3	216.0	214.2
Ceclor Capsules	million capsules	26.0	6.6	25.2	26.0	13.8	53.0	26.0	17.1
Ceclor Sustained Release Tablets (II)	million tablets	30.0	26.4	88.1	36.0	35.2	97.8	45.5	44.7
								22.9	17.9
								90.0	47.0
								10.8	5.9
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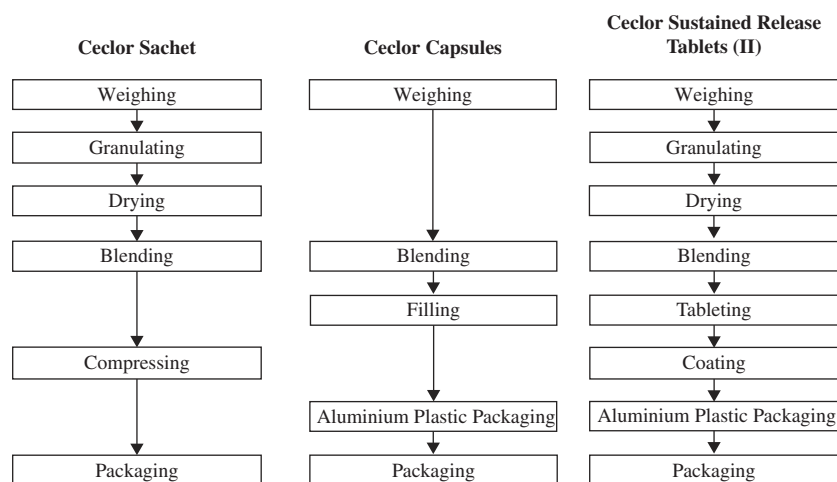
BUSINESS OF THE TARGET GROUP

FPN Manufacturing Facility

After the Target Group's acquisition of FPN, the technology for the manufacturing of FPN was transferred to the Target Group in 2022. In the same year, the Target Group completed construction of the manufacturing facility for FPN and submitted manufacturing application to the NMPA. The Target Group's manufacturing facility for FPN passed on-site inspection in January 2023, and the Target Group obtained manufacturing approval from the NMPA in January 2024. The Target Group started to manufacture FPN by itself in February 2024. The Target Group's manufacturing facility for FPN has an initial designed annual production capacity of 45 million doses and had been expanded to 120 million doses as of the Latest Practicable Date. The production volume of the Target Group's FPN manufacturing facility from February 2024 to 31 December 2024 was 30.3 million units. The actual utilisation rate during February 2024 to 31 December 2024 was over 80%.

Production Process

The following diagram illustrates the production processes for Ceclor Sachet, Ceclor Capsules and Ceclor Sustained Release Tablets (II):



The production of FPN involves processes including dispensing, formulation, filling, leak detection, and packaging.

The raw materials for manufacturing Ceclor and FPN include API, excipients and packaging materials. The purchase prices of such raw materials or products are primarily based on prevailing market prices for manufactured products of similar quality. The Target Group has not experienced any material price volatility or any significant supply shortage with regards the raw materials it sourced from its CMOs and suppliers for manufacturing Ceclor and FPN since the Target Group's acquisition of the Ceclor and FPN manufacturing facility. For details of the procurement process for such raw materials, please see “– International Supply Chain Management – Supply Chain Management Function”.

BUSINESS OF THE TARGET GROUP

International Supply Chain Management

The Target Group manages the international supply chain for Vancocin, Ceclor, FPN and Mulpleta. After the Target Group's acquisition of Vancocin and Ceclor, the Target Group retained the original CMO located in Italy for API and suppliers located in China for excipients and packaging materials. As the Target Group engages CMOs to manufacture Vancocin, the Target Group also retained a number of original CMOs suppliers located in Europe and the U.S. for Vancocin. In connection with the Target Group's acquisition of FPN, the Target Group engaged GSK's manufacturing facility located in Australia as the sole CMO for finished products of FPN prior to February 2024. The Target Group also manages the international supply chain of Mulpleta since the second half of 2024.

The Target Group believes the retention of original CMOs and suppliers ensures efficiency and stability of its supply chain and provides it with high-level quality control and assurance for its products. The Target Group believes its highly advanced quality management system ensures an efficient, high quality, supply of products and raw materials, with flexibility and agility.

Supply Chain Management Function

The Target Group has built a dedicated supply chain management team which is responsible for planning, execution, control and monitoring of the supply chain activities for the Target Group's products including Vancocin, Ceclor and FPN. Key functions of the Target Group's supply chain management team are set forth below:

- *Resource planning and supply sourcing.* In order to ensure consistently high quality of the Target Group's product, the Target Group's CMOs and suppliers are highly selected. The Target Group's supply chain management team selects CMOs based on various criteria, including reputation and experience, cGMP standards, manufacturing capacity, compliance records and financial conditions.
- *Procurement planning and order placement.* The Target Group's supply chain management team is responsible for providing rolling forecast and placing orders to CMOs and suppliers for the Target Group's products based on the Target Group's forecast of market demands and estimated safe inventory level for the Target Group's products. The Target Group's nationwide sales and marketing system provides guidance for actual market demands by leveraging the extensive hospital coverage of the Target Group's sales representatives.

BUSINESS OF THE TARGET GROUP

- *International logistics and delivery management.* The Target Group's supply chain management team engages reputable international logistics service providers for the delivery of APIs, raw materials, packaging materials and semi-finished products from end to end across different CMOs and suppliers located in Europe and the U.S.. The Target Group's international logistics service providers are also responsible for the delivery of finished products to China. The Target Group engages domestic logistics services providers for the delivery of its products to its distributors. The logistics service providers the Target Group engages have long-term cooperation relationships with the Target Group's CMOs or the Target Group and have been able to provide stable and sustainable delivery services for the Target Group.
- *End-to-end quality control and assurance.* The Target Group's supply chain management team works closely with the Target Group's quality control team to ensure that the operations of the Target Group's CMOs are in compliance with the Target Group's quality requirements and applicable cGMPs, laws and regulations. The Target Group periodically visits their manufacturing facilities and warehouses to conduct on-site inspections and investigations, and the Target Group regularly audits manufacturing operations of its CMOs and suppliers.
- *Digitalization enablers.* The Target Group deploys various digital tools for the Target Group's supply chain management, including e-order platform, inventory management system and digital logistics system.

The Target Group generally enters into manufacturing and supply agreements with the Target Group's CMOs and suppliers. The agreement sets out manufactured products, supply prices, payment and credit terms, and product return policies. The Target Group's manufacturing and supply agreements generally have terms of one to five years. The Target Group's CMOs and suppliers are required to manufacture and supply a specific raw material or product in accordance with the respective quality agreement and applicable manufacturing responsibilities documents the Target Group enters into with the CMO or supplier. The Target Group generally places purchase orders on a monthly basis based on its forecast. The purchase price of the Target Group's raw materials or products is primarily based on prevailing market prices for manufactured products of similar quality. The Target Group generally makes payments on a weekly basis and normally enjoy credit terms of 30 to 60 days. The Target Group has a right to return manufactured raw materials and products due to quality defects. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not experience any material product return, material price volatility or any significant supply disruption with regards to the manufactured products the Target Group sourced from its CMOs and suppliers.

SALES AND MARKETING

Marketing

The Target Group has a well-established sales and marketing system with an over-twenty-year proven track record. The Target Group has developed a marketing approach that emphasizes professional and academic-oriented strategies and focuses on promoting the Target Group's brand and providing educational resources.

Strategic Marketing

The Target Group's marketing strategy focuses on addressing medical needs for patients in China, promoting professional knowledge sharing, and facilitating academic research and development.

The Target Group has established cross-department, academic-oriented marketing functional teams comprising the Target Group's marketing team, regulatory affairs team, medical team and market access team for developing and implementing the Target Group's marketing strategies. The Target Group's marketing team formulates tailored product marketing strategies and targeted market shaping plans, and seeks to establish close KOL engagement. The Target Group's regulatory affairs team seeks NRDL inclusion for the Target Group's products. The Target Group's medical (research and development) team provides professional support for KOL and key stakeholder engagement and other marketing activities. The Target Group's dedicated market access team is primarily responsible for target-hospital listings of the Target Group's products.

Major factors the Target Group considers in developing the Target Group's competitive marketing strategies are set forth below:

- *Customer demands.* The Target Group explore and identify medical needs in China by leveraging the Target Group's in-depth customer insights gained through comprehensive market research and medical professional KOL interviews.
- *Customisation.* Based on the proven attributes and benefits of the Target Group's products, the Target Group develops tailored, differentiated product positioning and messaging for each of the Target Group's products. The Target Group has formulated commercial plans for each of the Target Group's key products, including brand plans or launch plans with team ramp-up momentum.

BUSINESS OF THE TARGET GROUP

- *Focus.* The Target Group identifies addressable markets for the Target Group's products by systematically analysing market data in professional database, including the CPA (China Pharmaceutical Association). The Target Group concentrates the Target Group's resources on the addressable markets.

The Target Group has implemented its marketing strategies with a continued focus on enhancing medical professionals' knowledge:

- *Academic standards shaping.* The Target Group contributes to academic developments by providing assistance to a number of clinical practice guidelines and experts' consensus updates in the Target Group's key therapeutic areas, including Guidelines for Perioperative Infection Prevention and Management, and Experts' Consensus on Standardised Vancomycin Treatment of MRSA Infections.
- *Professional medical associations contribution.* The Target Group sponsors and participates in medical conferences and forums in the Target Group's key therapeutic areas to promote the development of innovative therapies and promote the advancement of clinical medicine in China. For example, the Target Group sponsored national-level conferences for the Chinese Medical Association, the Chinese Medical Doctor Association and the Chinese Pediatric Society, Chinese Medical Association.
- *Wide KOL network.* The Target Group frequently communicates with more than 1,000 national, provincial and regional KOLs in anti-infectives, CVD, respiratory system diseases, oncology and other therapeutic areas. The Target Group regularly invites KOLs to share the latest developments and experience on various topics in medical conferences and forums and the Target Group's proprietary online platform, with a focus on the Target Group's key therapeutic areas.

Sales and Marketing Force

The Target Group has a well-established nationwide network of sales representatives. As at 30 June 2025, the Target Group had a total of around 1,000 sales representatives spanning across 31 provinces in China and covering approximately 17,000 hospitals, 19,000 pharmacies and 188 business corporations. The Target Group's commercialisation team achieved an average sales per sales representative of approximately RMB2.5 million in 2024. The Target Group strives to build a highly professional sales and marketing force to facilitate academic marketing. Highlights of the Target Group's sales and marketing force are set out below:

- *Specialized organizational structure.* The Target Group's sales and marketing force is organised into three specialized teams based on therapeutic areas. The Target Group's specialized organisation structure enables the Target Group's sales representatives to develop in-depth understanding of a specific therapeutic area and the attributes and benefits of the Target Group's products and enhance their promotion and communication skills.

BUSINESS OF THE TARGET GROUP

- *Advanced customer management system.* The Target Group utilises an advanced Veeva medical customer relationship management system underpinned by technology to manage the entire lifecycle of the Target Group's academic marketing activities, including professional KOL and key stakeholder management and engagement, strategic account planning and scientific information sharing.
- *Rigorous training.* The Target Group provides systematic and tailored training to the Target Group's sales team to promote academic knowledge sharing and ensure that they provide the Target Group's target physicians with comprehensive and consistent information about the Target Group's products. The Target Group has developed a proprietary competency model to evaluate and review the performance of the Target Group's sales representatives.
- *Stringent compliance.* Compliance is the foundation of the Target Group's sales and marketing activities. The Target Group has developed a robust compliance system comprising preventative controls, proactive monitoring and probing, and auditing. The Target Group has put in place stringent internal control policies, including the Compliance Code (合規標準) and the Target Group's Anti-Misconduct Policy (反舞弊政策). The Target Group regularly engages professional investigation service providers to conduct spot checks for academic promotion activities. The Target Group regularly conducts expense audits and sample checks for marketing expenses to ensure strict compliance.

Sales and Distributorship

Overview

The drugs the Target Group distributes consist of domestically manufactured drugs, including Ceclor, FPN (since February 2024, with a transition period during which imported FPN is also available) and Jing Zhu Da, and imported drugs which are manufactured overseas, including Vancocin, FPN (before February 2024, and throughout a subsequent transition period), Vascepa, Mulpleta and Recormon.

According to the Frost & Sullivan Report, the distribution of imported drugs in China primarily takes two forms: in the first, companies appoint an importer primarily for customs clearance as well as distribution and delivery of drugs to regional distributors; or in the second, companies clear customs as well as distribute and deliver the products to regional distributors directly. Regional distributors are primarily responsible for operating local distribution centres and warehouses, maintaining a sufficient level of inventory, and providing end-to-end delivery of drugs to hospitals and pharmacies. According to the Frost & Sullivan Report, in the first form, distribution cost attributable to importers typically amounts to low-single digit percentage of product sales of a company in China. In the second form, companies can eliminate such distribution cost, but companies need to devote resources to build their own distribution network of regional distributors and develop their capabilities for product delivery to such regional distributors, according to the same source. On the other hand, domestically manufactured drugs are primarily distributed to regional distributors directly from manufacturing facilities.

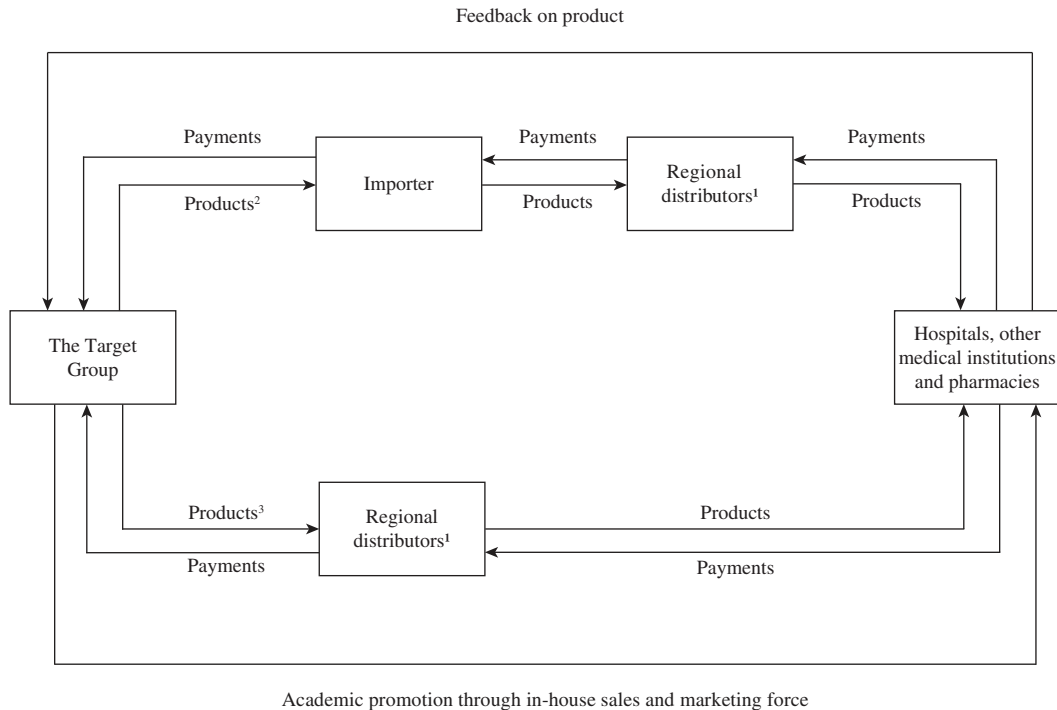
BUSINESS OF THE TARGET GROUP

In the distribution process for imported drugs in China, regional distributors play a much more important role than importers. They are responsible for management of drug procurement, sales and inventory management for hospitals and pharmacies and maintaining market access for drugs. Importers for imported drugs, on the other hand, primarily provide supportive services, including customs clearance and logistic services for the delivery of drugs to regional distributors. According to the Frost & Sullivan Report, companies may choose to appoint an importer due to various commercial reasons, including but not limited to (i) historical distribution pattern (i.e. the drugs are historically distributed to importers and in order to maintain stability of the distribution network, companies may keep their importers in the distribution network); (ii) cost-effectiveness analysis (i.e. the time and resources needed for developing own regional distributor network and product delivery functions outweigh the distribution cost attributable to importers); and (iii) other commercial reasons, including existing long-term cooperation arrangements, favourable payment terms, etc.

The Target Group distributes Ceclor, FPN (since February 2024, with a transition period during which imported FPN is also available), Jing Zhu Da and Recormon directly to regional distributors. Additionally, the Target Group has an importer for each of Vancocin, FPN (before February 2024, and throughout a subsequent transition period), Vascepa and Mulpleta, who resells the products to regional distributors, because these drugs are sold broadly across China geographically and the Target Group's distribution network of regional distributors for imported drugs is not able to fully cover the relevant sales areas. Regional distributors provide end-to-end delivery of the Target Group's products to hospitals and pharmacies. According to the Frost & Sullivan Report, it is common for suppliers of imported drugs in China to have such two distribution forms.

BUSINESS OF THE TARGET GROUP

The following diagram illustrates the relationships among the Target Group, the Target Group's distributors (including importer and regional distributors) and hospitals, other medical institutions and pharmacies that purchase the Target Group's products:



1. Regional distributors may engage sub-regional distributors, primarily comprising entities belonging to the same distributor group, to facilitate the product delivery. Such engagement of entities belonging to the same distributor group is exempted from the maximum two invoices requirement under the two-invoice system.
2. The Target Group acted as the supplier to domestic general agents, which were the Target Group's importers, when the Target Group appointed importers for imported drugs because pursuant to the Circular on Issuing the Implementing Opinions on Carrying out the Two-invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (《印發<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)>的通知》, the “**Two-invoice Circular**”), a domestic general agent refers to a PRC domestic company of imported drugs. During the Track Record Period, the Target Group operated its exclusive marketing and distribution business for imported drugs primarily through Eddingpharm (Asia) Macau. Pursuant to the Two-invoice Circular, the Target Group's offshore entities by nature do not count as domestic general agents. For details, see “Regulations – Overview of PRC Regulations – Regulations in relation to the Distribution of Drugs – Two-invoice System”. As advised by the Target's PRC Legal Advisers, the aforementioned business model of the Target Group is in compliance with applicable PRC laws and regulations in relation to the “two-invoice system” namely the Two-invoice Circular and the Several Opinions of the General Office of the State Council on Further Reforming and Improving the Policies on 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》) issued on 24 January 2017 in all material aspects.
3. The Target Group acted as the importer and sold products to regional distributors. During the Track Record Period, the Target Group conducted such business through Eddingpharm Suzhou.

BUSINESS OF THE TARGET GROUP

The following table sets forth the total numbers of the Target Group’s distributors to whom the Target Group directly sold its products and their movement during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
Number of distributors at the beginning of the period				
Importer ¹	1	1	2	2
Regional distributor	324	337	262	223
Number of new distributors during the period				
Importer ¹	–	1	–	–
Regional distributor	103	44	35	11
Number of discontinued distributors during the period				
Importer ¹	–	–	–	–
Regional distributor	90	119 ²	74	48
Number of increased (decreased) distributors during the period				
Importer ¹	–	1	–	–
Regional distributor	13	(75) ²	(39)	(37)
Number of distributors at the end of the period				
Importer ¹	1	2	2	2
Regional distributor	337	262	223	186

1. The Target Group’s importers may also serve as the Target Group’s regional distributors for the Target Group’s various products. Solely for the purpose of the above table, the “regional distributors” do not include the Target Group’s importers, even if they served as both of the Target Group’s importers and regional distributors during the same period.
2. Includes a regional distributor that became the Target Group’s importer in 2023 while still serving as a regional distributor. Solely for the purpose of the above table, the regional distributor is counted under this category.

During the Track Record Period, the Target Group optimized the number of distributors by reviewing factors including the distributors’ location, sales channel and ranking to enhance distribution efficiency. This optimization contributed to an increase in the Target Group’s revenue during the Track Record Period.

BUSINESS OF THE TARGET GROUP

The following table sets forth the Target Group's revenue from sale of pharmaceutical products attributable to importers and distributors for the period indicated.

	Year ended 31 December						Six months ended 30 June	
	2022		2023		2024		2025	
	RMB'000 (except percentages)							
Importers	1,197,328	57.7%	1,314,006	57.0%	1,637,037	64.3%	761,298	68.4%
Distributors	876,426	42.3%	989,782	43.0%	907,061	35.6%	351,650	31.6%
Sale of pharmaceutical products	2,073,754	100.0%	2,303,788	100.0%	2,544,098	100.0%	1,112,948	100.0%

The Target Group's importation and distribution agreement with the Target Group's importer has a term of three years. The Target Group conducts annual review on the business performance of the Target Group's importers. The Target Group also re-evaluates the business terms of the distribution agreements, such as purchase prices. The Target Group may host public bidding processes for importer appointments from time to time. The Target Group then decides whether to renew agreements with existing importers or appoint new importers or, alternatively, act as the importer itself, whichever the Target Group considers is helpful to optimise its distribution network, enhance importer distribution efficiency and ensure timely distribution of pharmaceutical products to end-customers. Please see "Risk Factors – Risks Relating to The Target Group's Business and Industry – Risks Relating to the Sales and Distribution of The Target Group's Products – The Target Group relies on its distribution network to sell and distribute its products, and if the Target Group fails to maintain and expand its distribution network, its business could be adversely affected" for details.

The following table and flowcharts illustrate the sales and distribution model for each of the Target Group's products.

	Rights and Obligations	Imported Drug/Domestically Manufactured Drug	Whether the Implementation of the "Two-invoice System" Affected the Drug Distribution Model	Distribution Model
<i>The Target Group's Key Products</i>				
Vancocin; FPN (before February 2024, with a transition period during which imported FPN is also available); Vascepa; Mulpleta	MAH	Imported Drug	No	Chart I
Ceclor; FPN (since February 2024, and throughout a subsequent transition period)	MAH	Domestically Manufactured Drug	No	Chart II
<i>The Target Group's Other Products</i>				

BUSINESS OF THE TARGET GROUP

	Rights and Obligations	Imported Drug/Domestically Manufactured Drug	Whether the Implementation of the “Two-invoice System” Affected the Drug Distribution Model	Distribution Model
Jing Zhu Da	Distribution and Marketing Right Holder	Domestically Manufactured Drug	Yes ⁽¹⁾	<p>A commission model is adopted, under which the Target Group is entitled to designate one or more third-party distributors to purchase the product directly from Taizhou EOC and further distribute in China. Under the commission model, Taizhou EOC will book the sales to the designated distributors and pay the Target Group commission fees.</p> <p>The commission model allows the Target Group to participate in distribution without bearing inventory or credit risks, but acting as an agent limits its control over pricing, receivables and downstream operations. Weaknesses or non-compliance by designated distributors could disrupt market access, delay cash flow or damage reputation.</p>
Recormon	Exclusive Distribution and Marketing Right Holder	Imported Drug	No	Chart III

Note:

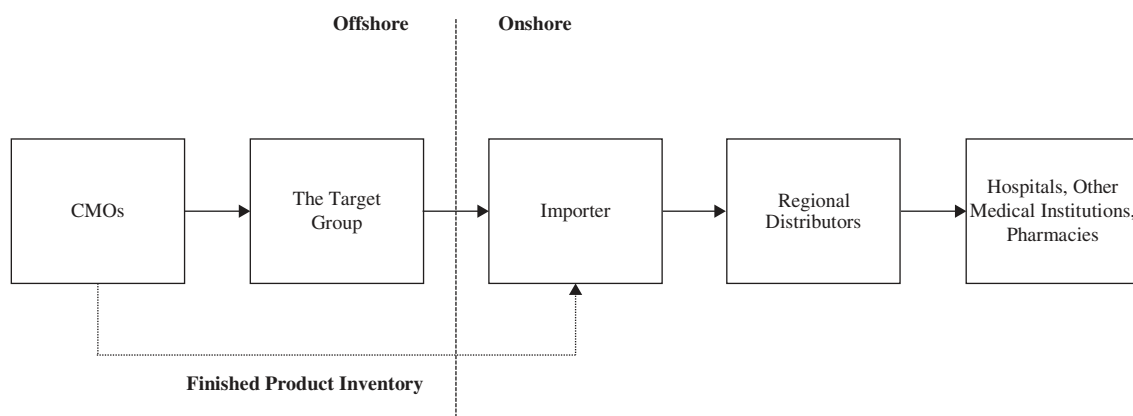
- (1) Pursuant to the *Implementation Opinions on the Implementation of the “Two-Invoice System” in Drug Procurement of Public Medical Institutions (Trial)*, the “Two-Invoice System” means that only two invoices are permitted in the drug supply chain: one invoice is issued by the drug manufacturer to the distribution enterprise, and another invoice is issued by the distribution enterprise to the medical institution. For the purposes of this policy, a wholly-owned or controlled commercial company established by a drug manufacturer or an integrated industry-commerce-trade group enterprise that sells only the drugs produced by its own enterprise (group) (limited to one such commercial company nationwide), or a domestic general agent for an overseas drug (limited to one such domestic general agent nationwide), may be deemed as a drug manufacturer. In case of any violation of the Two-Invoice System requirements, the drug procurement agencies of the relevant provinces (autonomous regions, municipalities) shall disqualify the non-compliant drug manufacturers or distribution enterprises from bidding, winning bids, and distribution qualifications, and shall record such violations in the adverse drug procurement records. When the NMPA conducts supervision and inspection of drug manufacturers or distribution enterprises, it shall promptly notify the drug procurement agency in the respective province if any enterprise is found to have violated the Two-Invoice System requirements. If a suspected crime is identified, the case shall be transferred to the public security authorities in accordance with the law.

BUSINESS OF THE TARGET GROUP

In May 2023, the Target Group (Eddingpharm Suzhou) entered into a sublicense agreement with respect to Jing Zhu Da with Taizhou EOC, who was granted by Syndax Pharmaceuticals, Inc. through EOC Pharma (Hong Kong) Limited an exclusive sublicense in China to carry out the development, regulatory approval, commercialisation, and manufacturing activities with respect to Jing Zhu Da. Pursuant to the agreement, the Target Group obtained an exclusive license to the full extent of the rights obtained by Taizhou EOC and are entitled to carry out the marketing, distribution, sale, and promotion of Jing Zhu Da in the licensed field in China. To the extent the two-invoice policy is applied towards the sales of Jing Zhu Da, a commission model will be adopted, under which the Target Group is entitled to designate one or more third-party distributors to purchase the product directly from Taizhou EOC and further distribute in China. For details, see “—Acquisition and In-Licensing Arrangements — In-licensing Arrangements — Jing Zhu Da” above. In essence, the Target Group collaborates with Taizhou EOC to provide services for the commercialization and promotion of Jing Zhu Da. Such a cooperation model does not constitute the issuance of the first invoice from a drug manufacturer to a circulation enterprise under the Two-Invoice System. Additionally, according to the confirmation from the Target Group, Taizhou EOC will pay the Target Group a commission fee based on the net sales of these distributors minus their costs (including royalties), thus this commission is essentially a service fee for promotion services.

In summary, the Target’s PRC Legal Advisers are of the view that the business promotion cooperation model between the Target Group and Taizhou EOC for Jing Zhu Da does not constitute the issuance of the first invoice from a drug manufacturer to a distribution enterprise under the Two-Invoice System.

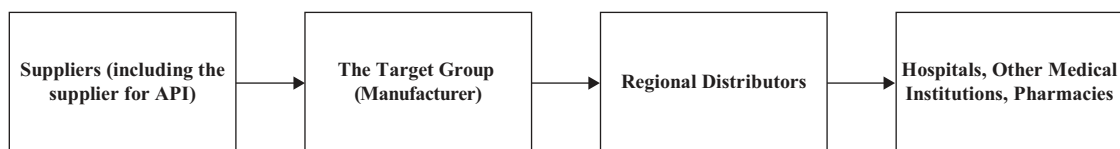
Chart I – Distribution Model for Vancocin, FPN (before February 2024, with a transition period during which imported FPN is also available), Vascepa and Mulpleta



1. Importers in China generally maintain a safety product inventory level ranging from three to nine months to avoid potential supply shortage, according to the Frost & Sullivan Report. The Target Group does not maintain inventory.
2. The finished products are delivered directly to the onshore importers from the Target Group’s CMOs.

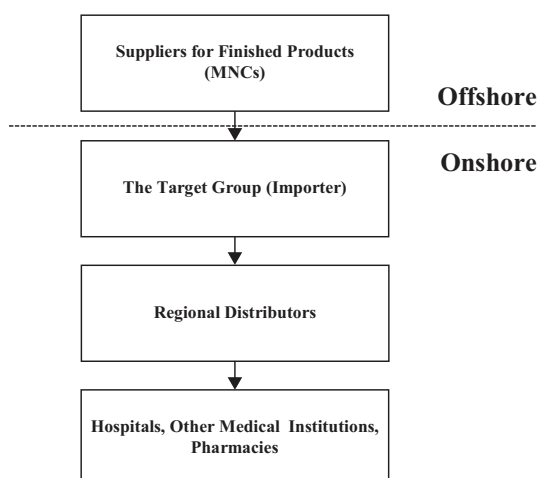
BUSINESS OF THE TARGET GROUP

Chart II – Distribution Model for Ceclor and FPN
(since February 2024, and throughout a subsequent transition period)



1. The Target Group operates the Ceclor and FPN manufacturing facilities located in Suzhou. The Target Group maintains inventory for Ceclor and FPN products.
2. Suppliers for Ceclor and FPN include both the overseas CMO for API and other domestic suppliers.

Chart III – Distribution Model for Other Imported Products under the Exclusive Marketing and Distribution Arrangement



1. The Target Group holds inventory under this model.

The Two-invoice System

Since early 2017, the two-invoice system has been gradually implemented across China. The two-invoice system permits a maximum of two invoices along the sales chain from a pharmaceutical manufacturer to a public medical institution in China. It currently applies to the sales of all pharmaceuticals to public medical institutions in all provinces, municipalities and autonomous regions in China. See “Regulations – Regulations in relation to the Distribution of Drugs – Two-invoice System” for details. During the Track Record Period, the two-invoice system did not affect the Target Group’s distribution model for imported drugs and domestically manufactured drugs for which the Target Group was the MAH and manufacturer.

BUSINESS OF THE TARGET GROUP

Management of Distributors

The Target Group has a seller-buyer relationship with the Target Group's distributors, including importers and regional distributors, as the case may be. For products that the Target Group distributes through importers, the Target Group does not have contractual relationships with the relevant regional distributors.

The Target Group selects its importers and regional distributors based on various criteria, including the scale and geographical coverage of their existing distribution networks, capabilities in pharmaceutical procurement bidding, reputation and industry track-record and experience, information management system, compliance records, types of pharmaceutical products sold, delivery capabilities, numbers and geographic coverage of distribution centres and warehouses, financial conditions, and creditworthiness.

The Target Group primarily relies on the distribution agreements, policies and measures the Target Group has in place to manage its distributors, in order to ensure that its sales to distributors reflect genuine market demand and its distributors' compliance with the terms and conditions of their distribution agreements.

If the Target Group discovers any potential non-compliance issues with a distributor, the Target Group inspects the issues with the relevant distributor and request the distributor to cease such activities within a specified period of time. Any non-compliance activities conducted by distributors would entitle the Target Group to terminate the corresponding distribution agreements, and to claim compensation from them for losses caused by relevant breaches. The Target Group did not terminate any distributors during the Track Record Period due to their breach of distribution agreements or non-compliance incidents.

During the Track Record Period, to the best knowledge of the Target Directors, all of its distributors and sub-distributors were Independent Third Parties, and none of them was wholly owned or majority controlled by the Target Group's former employees. None of the Target Directors or their respective associates or any shareholder of the Target Group who, to the knowledge of the Target Directors, owns more than 5% of the issued share capital of the Target Group, have any interest in any of these distributors, and none of the Target Directors or their respective associates and the Target Group's controlling shareholders have any present or past relationship (other than their relationship through the Target Group) with any of these distributors. In addition, to the Target Group's best knowledge, there was no past or present relationship or arrangement, including family, business, financing, guarantee or otherwise, between the Target Group and the Target Group's distributors or sub-distributors during the Track Record Period.

The Target Group has implemented stringent policies to prevent channel stuffing, including monitoring of inventory accumulation, no minimum purchase requirement on distributors in general, prevention of cannibalization, distributor management measures, among other things. The Target Directors are of the view that the Target Group is not exposed to material channel stuffing risk and that its historical sales have aligned with genuine market

BUSINESS OF THE TARGET GROUP

demand, as sales to distributors have been made on a buy-out basis without minimum purchase obligations in general. The Target Group monitors potential inventory build-up through contractual arrangements that restrict abnormal stockpiling, the use of the tracking system which provides visibility over distributors' procurement and resale patterns, and regular communications with counterparties. In addition, the Target Group's sales forecasts are derived from actual demand signals from hospitals and pharmacies, and its requirement for prepayment or short credit periods incentivises distributors to place orders in line with end-customer needs. During the Track Record Period, the Target Group generally granted a credit period of 30 to 60 days to regional distributors with good credit standing on a case-by-case basis based on its assessment. Having considered these measures, the Target Directors believe that the Target Group's sales practices are consistent with market practice in China and that any risk of channel stuffing has been effectively managed during the Track Record Period. Based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would reasonably cause them to disagree in any material aspect with the Target Directors' view above.

Monitoring of Inventory Accumulation and Usage by End-customers

The Target Group has adopted the following measures to actively monitor inventory accumulation and usage by end-customers of the Target Group's products:

- *Contractual obligations.* According to the Target Group's distribution agreements with distributors, the Target Group's distributors are required to avoid any supply shortage or stockpiling and to maintain normal product supply. In addition, the Target Group has the right to notify the Target Group's distributors in advance of the Target Group's sales forecasts based on estimated demand from hospitals and pharmacies. The Target Group's distributors generally place orders with the Target Group by reference to these sales forecasts on a monthly basis. The Target Group generally does not require its distributors to achieve a minimum purchase or sales targets.
- *Business intelligence system.* To ensure continuing compliance, the Target Group utilises the Target Group's DDI system, through which the Target Group can monitor the procurement, inventory and sales status of the Target Group's distributors and sub-distributors, ensuring that the Target Group's products are sold in a timely manner to hospitals and other end-customers. According to the Frost & Sullivan Report, the DDI system the Target Group utilises to monitor inventory accumulation and ultimate sales to end-customers is also used by many MNCs and biotechnology companies in China. The Target Group's distributors are required to maintain a sales statistics database, which stores information including inventory levels and sales status to end-customers, so that the Target Group can monitor and inspect the distributors' sales statistics on an on-going basis. In addition, the DDI system is a market intelligence and analytics tool and is widely used by pharmaceutical companies in China to assess and evaluate the trend of in-market sales according to the Frost & Sullivan Report.

BUSINESS OF THE TARGET GROUP

- *Regular spot check and communication.* The Target Group regularly conducts spot checks on the warehouses operated by the Target Group's distributors to ensure the accuracy of their sales statistics. In addition, the Target Group regularly communicates with its distributors to monitor their inventory levels of the Target Group's products in the distribution channel to avoid shortages or abnormal inventory build-up.
- *Pre-payment or short credit term.* During the Track Record Period, the Target Group generally granted a credit period of 30 to 60 days to regional distributors with good credit standing on a case-by-case basis based on the Target Group's assessment. The Target Group requires its importers to deliver irrevocable letters of credit. In addition, even for certain distributors to whom the Target Group grants a credit term, the Target Group offers certain incentives to encourage them to make spot payment or early payment. The Target Group believes that the pre-payment requirement or short credit term requires the Target Group's distributors to effectively manage their cash flow and ensure that procurements are made based on actual demand.

Prevention of Cannibalization

In order to manage the risk of cannibalization and competition among the Target Group's distributors, the Target Group has adopted the following measures:

- *Distribution restrictions.* The Target Group's distribution agreements with distributors specifically set out geographic regions where the Target Group authorises the Target Group's distributors to sell the Target Group's products. They are not allowed to sell the Target Group's products in other regions. For each product that the Target Group supplies to importers for distribution, although not required by relevant laws and regulations, the Target Group only appoints one importer. For each product that the Target Group distributes directly to regional distributors, each of the Target Group's end-customers (hospitals and pharmacies) typically only deals with one of the Target Group's distributors for product delivery.
- *End-customer monitoring.* To ensure the compliance of distributors and sub-distributors with the Target Group's cannibalization prevention measures, the Target Group has adopted end-customer monitoring measures. The Target Group utilises the Target Group's DDI system to actively monitor the procurement, inventory and sales conditions of the Target Group's distributors and sub-distributors, through which the Target Group can track ultimate sales of the Target Group's products to the Target Group's end-customers in a timely manner. In addition, the Target Group actively monitors the sales statistics database maintained by the Target Group's distributors on an on-going basis. Furthermore, the Target Group regularly conducts on-site spot checks on the warehouses of the Target Group's distributors.

BUSINESS OF THE TARGET GROUP

- *Accountability.* Under the Target Group's distribution agreements with the Target Group's distributors, any unauthorized sales of the Target Group's products would be subject to a penalty based on the amount of unauthorized sales and termination of the Target Group's distribution agreements.

During the Track Record Period and up to the Latest Practicable Date, the Target Group was not aware of any material cannibalization or competition among the Target Group's distributors within the same geographical area. The Target Group believes that the above measures are sufficient to address potential cannibalization and competition among distributors.

For each product that the Target Group distributed to importers, the Target Group only appointed one importer. For each product that the Target Group distributed directly to regional distributors, the Target Group relied on regional distributors for product delivery to the end customers (i.e. hospitals and pharmacies). Therefore, the Target Group did not compete with the Target Group's distributors for product sales and did not have any cannibalization with the Target Group's distributors during the Track Record Period.

Sub-distributors

During the Track Record Period, the Target Group primarily engaged importers for the distribution of the Target Group's imported products. The Target Group's importers typically resold the products to regional distributors, who were the Target Group's sub-distributors. To a lesser extent, the Target Group also distributed certain products directly to regional distributors during the same period. The regional distributors that the Target Group directly engaged could appoint sub-regional distributors, primarily comprising entities belonging to the same distributor group, to facilitate the product delivery. Such sub-regional distributors were also the Target Group's sub-distributors. Such engagement of entities belonging to the same distributor group is exempted from the maximum two invoices requirement under the two-invoice system in China.

The following table sets forth details of the Target Group's sub-distributors during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2022	2023	2024	2025
Number of the Target Group's distributors who engaged sub-distributors during the period	144	146	94	96
The Target Group's direct sales to its distributors who engaged sub-distributors during the period (in thousands of RMB)	1,987,403	2,230,071	2,438,650	1,065,921
Number of sub-distributors engaged during the period	715	852	625	631

BUSINESS OF THE TARGET GROUP

The Target Group does not have contractual relationships with the Target Group's sub-distributors. The Target Group has adopted various measures to ensure that sub-distributors engaged by the Target Group's distributors comply with the terms set out in the Target Group's distribution agreements with distributors. In the Target Group's distribution agreements with the Target Group's distributors, the Target Group's distributors are obligated to ensure that requirements imposed on the sub-distributors, including with respect to product distribution, storage capabilities and compliance with applicable laws and regulations, generally do not fall short of the Target Group's requirements imposed to them. The Target Group requires all of the Target Group's distributors to directly supervise their respective sub-distributors as to ensure compliance in respect of contractual obligations applicable to the Target Group's distributors. The Target Group's distributors are liable to the Target Group for any misconduct committed by their sub-distributors, and the Target Group has the right to penalise distributors or terminate the relevant distribution agreements should any distributors or their sub-distributors breach or violate the Target Group's distribution agreements, the Target Group's policies, or any laws or regulations. In addition, the Target Group utilises the Target Group's DDI system to actively monitor procurement, inventory and sales conditions of the Target Group's distributors and sub-distributors, ensuring that the Target Group's products are distributed in a timely manner to hospitals and other end-customers.

As the Target Group optimized the number of distributors by reviewing factors including the distributors' location, sales channel and ranking to enhance distribution efficiency, the number of sub-distributors also fluctuated during the Track Record Period.

Key Terms of Distribution Agreement

The Target Group generally enters into standard distribution agreements with the Target Group's distributors, including importers and regional distributors, the key terms of which include:

- *Duration.* The Target Group's standard distribution agreement typically has a term of one year. The Target Group may enter into distribution agreements with the Target Group's distributors for a term of one to three years in some cases.
- *Minimum purchase amounts.* The Target Group typically does not set initial purchase or minimum purchase requirements for the Target Group's distributors.
- *Payment and credit term.* During the Track Record Period, the Target Group generally granted a credit period of 30 to 60 days to regional distributors with good credit standing on a case-by-case basis based on the Target Group's assessment. The Target Group requires its importers to deliver irrevocable letters of credit. In addition, even for certain distributors to whom the Target Group grants a credit term, the Target Group provides certain monetary incentives to encourage them to make spot payment or early payment.

BUSINESS OF THE TARGET GROUP

- *Prices.* The Target Group sells the Target Group's products to distributors at prices determined by the Target Group with the distributors, which can be adjusted based on market conditions. As part of the price-adjusting mechanism, the Target Group and its distributors may mutually agree to adjust the selling prices, sometimes in the form of discounts and rebates. During the Track Record Period, the Target Group determined its selling prices to the Target Group's distributors after taking into account factors such as (i) the successful bid prices with hospitals and other medical institutions, if applicable; (ii) the Target Group's production costs, if applicable; (iii) the pricing of competing products; and (iv) an acceptable level of profit margin for both itself and the Target Group's distributors, if applicable.
- *Reporting of complaints and AEs.* Distributors are responsible for promptly reporting to the Target Group within 24 hours upon their awareness of any complaints about product quality, AEs or other safety-related issues which may be related to the Target Group's products. Upon receipt of a complaint or AEs, the Target Group conducts investigations and ensure necessary measures are taken.
- *Sub-distributors.* The Target Group's distributors, where permitted by applicable laws, regulations and policies, may engage sub-distributors to distribute the Target Group's products. The Target Group's distributors generally need to obtain the Target Group's written consent before appointing sub-distributors. The Target Group's distributors are generally required to ensure that their requirements imposed on the sub-distributors, including with respect to product distribution, storage capabilities and compliance with applicable laws and regulations, generally do not fall short of the Target Group's requirements imposed to them. The Target Group requires all of its distributors to directly supervise their respective sub-distributors as to compliance with contractual obligations applicable to the Target Group's distributors. The Target Group's distributors are liable to the Target Group for any misconduct by their sub-distributors, and the Target Group has the right to penalise distributors or terminate the relevant distribution agreements should any distributors or their sub-distributors violate the Target Group's distribution agreements, the Target Group's policies, or any laws or regulations.
- *Inventory levels.* The Target Group's distributors are required to maintain sufficient inventory levels to meet the demand from hospitals, other medical institutions and pharmacies. The Target Group's distributors are required to avoid any supply shortage or stockpiling and to maintain normal product supply.
- *Product returns.* Generally, the Target Group's distributors are permitted to return products to the Target Group only if there are quality defects or product recalls. For products for which the Target Group is the holder of the MAs, the Target Group is responsible for the return and replacement of returned products, and the Target Group is entitled to claim compensation from the Target Group's CMOs or suppliers for any defective product liabilities. For other commercialized products, which the Target Group procures from MNCs and market and sell in China on an exclusive basis, products can generally be returned to MNCs.

BUSINESS OF THE TARGET GROUP

- *Termination.* These agreements typically have customary termination provisions, such as for breaches that are not remedied after notice. The Target Group can also typically terminate these agreements if significant changes with respect to the Target Group's distributors' ownership structures or changes of control. These agreements are typically not automatically renewable.

PRICING

A substantial portion of the products the Target Group sells to its distributors are then on-sold to public medical institutions in China. Public medical institutions at all levels are required to procure substantially all of drugs, which are covered by the National Essential Drug List or are generally used for common clinical needs, through a tender process. These drugs are sold to public medical institutions at the successful bid prices in the tender process. For more information about the tender process, see "Regulations – Regulations in relation to Medical Insurance Programme and Volume-based Procurement Scheme – Drug Purchases by Hospitals".

In China, pharmaceutical manufacturers are generally responsible for the tender processes for imported drugs, and for imported drugs, importers are deemed as the pharmaceutical manufacturers in the tender processes. As at the Latest Practicable Date, the Target Group was responsible for the VBP tender processes for some of the Target Group's commercialized products, including Ceclor Sachet and Ceclor Capsules.

During the Track Record Period, the Target Group's dedicated and specialized market access team provided important market intelligence and necessary assistance to the Target Group's importers based on the Target Group's academic marketing and product insights for the tender processes for the Target Group's products. The Target Group's market access team has extensive experience and insights in the tender processes and is currently responsible for tender processes for most of the Target Group's products. Most of the Target Group's commercialized products benefitted from certain advantages, including being classified into a higher quality class than competing generics in price bidding for the purpose of the provincial tender process during the Track Record Period, because (i) they are the reference drugs for the GQCE, reflecting their high quality, and (ii) they are originator-branded drugs with proven safety and efficacy profile and enjoy strong brand reputation. In addition, the Target Group has focused on large or high-growth therapeutic areas.

The Impact of NRDL

The National Drug Catalogue for Basic Medical Insurance, Work-related 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》), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. On 13 December 2023, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC released an updated NRDL (effective upon 1 January 2024), the scope of which was expanded to cover 3,088 drugs in total.

BUSINESS OF THE TARGET GROUP

The inclusion of drugs into the NRDL usually leads to increased sales volume but reduced drug prices that are negotiated on a case-by-case basis based on factors such as the original drug price. As a result, drugs listed in the NRDL may enjoy a competitive edge over other drugs within the same therapeutic area, according to the Frost & Sullivan.

Substantially all of the Target Group's commercialized drugs were included in the NRDL upon the Target Group's commencement of sales. As a result, the Target Group generally did not encounter any substantial price reductions for the Target Group's commercialized drugs due to their inclusion in the NRDL.

The Impact of the VBP Scheme

In November 2018, the PRC government launched the VBP pilot scheme for tendering a limited number of drugs with target procurement quantities in 11 cities in China, and subsequently expanded the number of drugs and geographic coverage under the scheme. According to current PRC regulations, in principle, only originator-branded drugs or reference drugs for the GQCE, along with generic drugs that have passed the GQCE, are eligible to participate in the VBP scheme. As of the Latest Practicable Date, only in cases where there are at least seven eligible generic drugs for the selected chemical name of a drug, a VBP tender process will be adopted in the procurement process. For details, see "Regulations – Regulations in relation to Medical Insurance Programme and Volume-based Procurement Scheme – The VBP Scheme in '4+7 Cities' and Nationwide".

According to Frost & Sullivan, the inclusion of a particular type of drug in the VBP scheme can have a significant impact on the competitive landscape within the same therapeutic area. This impact is observed through changes in the drug's sales volume and selling prices.

Of the products the Target Group sold during the Track Record Period, Ceclor Sachet and Ceclor Capsules, as well as certain other commercialized products, namely, Zinacef Tablet, Zinacef Injection and Fortum, were subject to the VBP scheme nationwide. The Target Group believes that the VBP scheme has had no material impact on the Target Group's business operations and financial performance, considering that:

- (i) The gross revenue generated from Zinacef Tablet, Zinacef Injection and Fortum, in aggregate only accounted for 6.0%, 6.1%, 1.1% and nil of the Target Group's total gross revenue in 2022, 2023 and 2024 and the six months ended 30 June 2025, respectively. The Target Group also ceased to sell Zinacef and Fortum after the expiration of the relevant exclusive marketing and distribution agreements in December 2023.
- (ii) The Target Group opted not to participate in the bidding process of the VBP scheme due to the potential pricing pressure, and strategically sold Ceclor Sachet, Ceclor Capsules through non-VBP channels. Accordingly, certain competing products from rival companies were included in the VBP scheme, while the Target Group's products were not. The Target Group makes strategic adjustments to the end-market

BUSINESS OF THE TARGET GROUP

selling prices for the Target Group's drugs in the in-hospital channels in some cases, using the VBP price as a reference. Through this approach, the Target Group aims to minimise the price advantages enjoyed by the drugs listed in the VBP catalogue, thereby creating a level playing field for the Target Group's drugs. For instance, the Target Group reduced the in-hospital end-market selling prices (i.e., the prices at which distributors sell the drugs to public hospitals) of Ceclor Sachet and Ceclor Capsules by approximately 10% compared to the prices in the retail channel.

- (iii) Ceclor Sachet became subject to the VBP scheme in November 2022. However, benefiting from the Target Group's selling strategy from 2022 to 2024, gross revenue generated from Ceclor Sachet increased from RMB522.6 million to RMB567.7 million, and the sales volume of Ceclor Sachet increased from 29.3 million sachets to 30.1 million sachets during the same period. The gross profit margin also increased from 2022 to 2024. The improved gross profit margin of Ceclor Sachet can be attributed to two main factors. Firstly, Ceclor Sachet is primarily sold to retail pharmacies, which are not subject to the VBP scheme. As a result, the market demand for Ceclor Sachet remained strong and the effect of the product being included in the scheme on its selling price is relatively small. Secondly, since the acquisition of Ceclor in 2019, the Target Group has implemented various measures to streamline operations and reduce production costs, which helped to enhance the gross profit margin.

Ceclor Capsules became subject to the VBP scheme in November 2020. However, as Ceclor Capsules are primarily sold to retail pharmacies, which are not subject to the VBP scheme, the market demand for Ceclor Capsules remained strong during the Track Record Period. The gross revenue generated from Ceclor Capsules increased from RMB36.6 million in 2022 and further to RMB64.4 million in 2024, and increased from RMB33.4 million in the six months ended 30 June 2024 to RMB35.9 million in the same period of 2025. The sales volume also increased from 1.3 million capsules in 2022 to 2.2 million capsules in 2024, and increased from 1.1 million capsules in the six months ended 30 June 2024 to 1.3 million capsules in the same period of 2025.

However, in the future, the VBP scheme may be applicable to more of the Target Group's drugs. See "Risk Factors – Risks Relating to the Target Group's Business and Industry – Risks Relating to the Sales and Distribution of The Target Group's Products – The Target Group's commercialized products or pipeline products, once approved, may be subject to price adjustments, competition or the tender process, and therefore their prices may decrease, which could materially and adversely affect its financial condition and results of operations".

CUSTOMERS

The Target Group's five largest customers during the Track Record Period primarily comprise the Target Group's importers and regional distributors. The Target Group's sales to the five largest customers in each reported year/period during the Track Record Period amounted to RMB1,360.0 million, RMB1,515.4 million, RMB1,891.3 million and RMB873.5 million, accounting for approximately 65.6%, 65.8%, 74.3% and 76.9% of the Target Group's total revenue for the respective periods. The Target Group's largest customer during the Track Record Period was the Target Group's importer. The Target Group's sales to largest customer in each reported year/period during the Track Record Period amounted to RMB1,197.3 million, RMB1,306.9 million, RMB1,393.2 million and RMB704.3 million, accounting for approximately 57.7%, 56.7%, 54.7% and 62.0% of the Target Group's total revenue for the respective periods. The distribution contracts the Target Group signs with importers typically have a term of three years. Prior to the expiration of the contract term, the Target Group will conduct a comprehensive assessment of the Target Group's cooperation with the relevant importer. After taking all factors into consideration, the Target Group will make a prudent decision on the selection of importers to ensure the smooth development and long-term interests of the Target Group's business.

Based on the comprehensive framework established by the rigorous selection criteria, long-term collaborative relationships, and proactive management practices that related to the Target Group's distributors, including importers and regional distributors, the Target Directors are of the view that the relationships with its major customers are unlikely to be materially adversely changed or terminated. This assessment is supported by the mutual dependence inherent in these relationships, where distributors rely on the Target Group's portfolio of established pharmaceutical products for their revenue streams, and the Target Group benefits from the distributors' extensive market reach. The stability is further reinforced by multi-year collaboration agreements and a historical track record of renewal based on performance, with no terminations due to breaches during the Track Record Period, indicating a foundation of reliable and cooperative partnerships.

During the Track Record Period, the Target Group generally granted credit periods of 30 to 60 days to regional distributors with good credit standing on a case-by-case basis based on its assessment. The Target Group also received irrevocable letters of credit from its importers, and generally obtained advanced payments through letters of credit discounting from banks within 180 days.

BUSINESS OF THE TARGET GROUP

The following table sets forth details of the Target Group's five largest customers during the Track Record Period:

Customer	Background	Roles	Major Products Involved	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue
<i>For the six months ended 30 June 2025</i>						
Guangzhou Pharmaceuticals Co., Ltd. (廣州醫藥股份有限公司)	Pharmaceutical distribution company	Distributor (Importer; Regional distributor)	FPN, Vancocin	2005	704,325	62.0%
Customer A	Pharmaceutical distribution company in China	Distributor (Importer; Regional distributor)	Ceclor, Vascepa, Mulpleta	2001	71,877	6.3%
Customer B	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor	2001	48,997	4.3%
China Resources Pharmaceutical Commercial Group Co., Ltd. (華潤醫藥商業集團有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor	2016	25,683	2.3%
Genor Biopharma Co., Ltd. (嘉和生物藥業有限公司)	Drug development company	Business support services	N/A	2025	22,594	2.0%
Total					873,475	76.9%

(RMB in thousand)

BUSINESS OF THE TARGET GROUP

Customer	Background	Roles	Major Products Involved	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue
<i>For the year ended 31 December 2024</i>						
Guangzhou Pharmaceuticals Co., Ltd. (廣州醫藥股份有限公司) Customer A	Pharmaceutical distribution company	Distributor (Importer; Regional distributor)	FPN, Vancocin, Ceclor, Zinacef	2005	1,393,238	54.7%
	Pharmaceutical distribution company in China	Distributor (Importer; Regional distributor)	Vascepa, Mulpleta, Ceclor, Zinacef	2001	287,623	11.3%
Customer B	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef	2001	71,835	2.8%
Sinopharm Medicine Holding Guangdong Hengxing Co., Ltd. (國藥控股廣東恒興有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor	2021	70,573	2.8%
China Resources Guangdong Pharmaceutical Co., Ltd. (華潤廣東醫藥有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef, FPN	2007	68,001	2.7%
Total					1,891,269	74.3%

(RMB in thousand)

BUSINESS OF THE TARGET GROUP

Customer	Background	Roles	Major Products Involved	Commencement of Business Relationship	Revenue	% of Total Revenue
					Contribution	
(RMB in thousand)						
For the year ended 31 December 2023						
Guangzhou Pharmaceuticals Co., Ltd. (廣州醫藥股份有限公司)	Pharmaceutical distribution company	Distributor (Importer; Regional distributor)	FPN, Vancocin, Ceclor, Zinacef	2005	1,306,877	56.7%
Sinopharm Medicine Holding	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef	2021	56,976	2.5%
Guangdong Hengxing Co., Ltd. (國藥控股廣東恒興有限公司)						
Yunnan Pharmaceuticals Co., Ltd. (雲南省醫藥有限公司)	Pharmaceutical distribution company	Distributor	Ceclor, Zinacef	2016	55,109	2.4%
China Resources Guangdong Pharmaceutical Co., Ltd. (華潤廣東醫藥有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef	2007	48,637	2.1%
Customer A	Pharmaceutical distribution company in China	Distributor (Importer; Regional distributor)	Vascepa, Mulpleta, Ceclor, Zinacef	2001	47,843	2.1%
Total					1,515,442	65.8%

(RMB in thousand)

BUSINESS OF THE TARGET GROUP

Customer	Background	Roles	Major Products Involved	Commencement of Business Relationship	Revenue	% of Total Revenue
					Contribution	
<i>For the year ended 31 December 2022</i>						
Guangzhou Pharmaceuticals Co., Ltd. (廣州醫藥股份有限公司)	Pharmaceutical distribution company	Distributor (Importer; Regional distributor)	FPN, Vancocin, Ceclor, Zinacef, Fortum	2005	1,197,328	57.7%
Zhejiang Pharmaceutical Industry Co., Ltd. (浙江省醫藥工業有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef, FPN	2020	56,386	2.7%
Yunnan Pharmaceuticals Co., Ltd. (雲南省醫藥有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef, FPN	2016	38,729	1.9%
Zhejiang Shangyao Xinxin Logistics Co., Ltd. (浙江上藥新欣醫藥有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, Zinacef	2018	35,315	1.7%
China Resources Pharmaceutical Commercial Group Co., Ltd. (華潤醫藥商業集團有限公司)	Pharmaceutical distribution company	Distributor (Regional distributor)	Ceclor, FPN, Fortum	2016	32,235	1.6%
Total					1,359,993	65.6%

(RMB in thousand)

BUSINESS OF THE TARGET GROUP

As at the Latest Practicable Date, none of the Target Directors, their associates or any shareholders which, to the knowledge of the Target Directors, owned more than 5% of the issued share capital of the Target Company as at the Latest Practicable Date, had any interest in any of the Target Group's five largest customers during the Track Record Period.

Customer Concentration

The Target Group believes that its customer concentration during the Track Record Period was due to the nature of the Target Group's business model, and particularly, contributed by a combination of the following key factors:

- Vancocin and FPN (before February 2024, with a transition period during which imported FPN is also available) are two of the Target Group's main products distributed through an importer distribution model, together accounting for 55.0%, 54.6%, 52.5% and 61.5% of the Target Group's gross revenue in 2022, 2023 and 2024 and the six months ended 30 June 2025, respectively. Under the "two-invoice system", each imported product can only have one importer in principle. As a result, the high revenue concentration on these products has led to a significant percentage of the Target Group's revenue being generated from the Target Group's largest customer in 2022, 2023 and 2024 and the six months ended 30 June 2025, respectively, who was the importer of Vancocin and FPN during the Track Record Period. Vascepa and Mulpleta are also distributed through importer distribution model. After the Target Group started to manufacture FPN by itself in February 2024, the Target Group ceased to distribute FPN through an importer distribution model. Moreover, the Target Group has initiated the localisation of manufacturing for Vancocin in the second half of 2024, which will bring more control over drug supply. It is expected that the localisation of manufacturing for Vancocin will be completed by the end of 2026. Following localisation, the overseas supply chain of Vancocin will also be retained as needed based on market conditions, ensuring dual-region supply.
- The Target Group's remaining products are generally distributed through regional distributors. During the Track Record Period, the Target Group maintained a large distributor base to prevent reliance on any single distributor. As at 30 June 2025, the Target Group engaged 186 regional distributors.
- Concentrating the Target Group's customer base maximizes its operating efficiency and lays a solid foundation for further growth. Since the Target Group's imported product categories are relatively limited, the Target Group has adopted a key-importer strategy to cooperate with a limited number of importers who have redundant resources and a strong reputation, which facilitates the sales of the Target Group's imported products. As advised by Frost & Sullivan, this practice is not uncommon in the pharmaceutical industry in China, as MAHs and manufacturers may tend to cooperate with a limited number of qualified national or regional distributors that possess the necessary licenses, financial capability, distribution

BUSINESS OF THE TARGET GROUP

infrastructure and provincial bidding access. Accordingly, the Target Group's customer concentration level generally aligns with industry practice and reflects the structure of the distribution market, rather than suggesting any specific reliance risk unique to the Target Group.

The Target Directors believe that its business model is sustainable and in line with industry norm due to the following factors:

- The Target Group has established long-term, stable relationship with its top customers. The Target Group's business relationship with its largest customer in 2022, 2023 and 2024 and the six months ended 30 June 2025 has been ongoing since 2005, and the increasing trend in revenue contribution during the Track Record Period is a clear demonstration of the stable partnership the Target Group has built over the years. During the Track Record Period and up to the Latest Practicable Date, the Target Group had maintained a good relationship with this customer and had not experienced any material disputes with it. The Target Group's long-term cooperation with this largest customer reflects mutual trust, established commercial practices, and its proven track record of product quality, regulatory compliance and reliable supply, which are meaningful considerations for pharmaceutical companies in maintaining consistent business partnerships.
- Vancocin and FPN (before February 2024, and throughout a subsequent transition period) have significant market potential in China, giving the Target Group bargaining power over importers. The Target Group's position as the MAH of these products in China allows it to leverage its market position to negotiate favourable terms with potential importers. This ability to negotiate advantageous terms with importers is a critical factor in ensuring that the Target Group is not heavily reliant on any single importer. According to Frost & Sullivan, there are other alternative importers in the PRC are well-positioned in the market to handle businesses similar to the Target Group's existing importers.
- The Target Group's distribution agreement with the Target Group's largest customer in 2022, 2023 and 2024 and the six months ended 30 June 2025 has a term of three years. Prior to the expiration of the agreement, the Target Group will assess the importer's sales performance and the alignment between the importer's and the Target Group's business development strategy. With several pharmaceutical importers available in the market, the Target Group can reevaluate and select an appropriate importer to collaborate with at the end of the current importer's contract. Such regular assessment mechanism provides flexibility for the Target Group to maintain strategic control over its distribution network while supporting stable and long-term partnerships with importers that perform well.

BUSINESS OF THE TARGET GROUP

In view of the above, the Target Directors are of the view that (i) in the unlikely event of a termination of its collaboration with a major customer, it may cause temporary disruption to the Target Group's operations but it is not expected to materially affect the Target Group's sustainability in the long run; and (ii) the risk associated with the Target Group's reliance on existing major customers is manageable.

SUPPLIERS

During the Track Record Period, the Target Group's suppliers primarily consisted of (i) MNCs, who granted the Target Group exclusive marketing and distribution rights in China, (ii) CMOs, who provide third-party contracting services for manufacturing the Target Group's products, (iii) licensors from which the Target Group obtained intellectual property rights in respect of the Target Group's in-licensed drug candidates, and (iv) CROs, who provide third-party contracting services for research and development. The Target Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards. During the Track Record Period, the suppliers generally granted credit periods of 30 to 60 days to the Target Group.

The Target Group's purchases from its five largest suppliers in each reported year/period during the Track Record Period amounted to RMB441.6 million, RMB384.0 million, RMB534.7 million and RMB167.0 million, accounting for approximately 72.4%, 60.8%, 65.1% and 57.6% of the Target Group's total purchases for the respective periods. The Target Group's purchases from its largest supplier in each reported year/period during the Track Record Period amounted to RMB152.9 million, RMB111.1 million, RMB139.6 million and RMB66.8 million, accounting for approximately 25.1%, 17.6%, 17.0% and 23.1% of the Target Group's total purchases for the respective periods.

BUSINESS OF THE TARGET GROUP

The following table sets forth details of the Target Group's five largest suppliers during the Track Record Period:

Supplier	Background	Product Purchased/ Service Purchased	Commencement of Business Relationship	Amount of Purchases (RMB in thousand)	% of Total Purchases
<i>For the six months ended 30 June 2025</i>					
Vianex S.A.	Foreign pharmaceutical manufacturing company	Semi-finished pharmaceutical products	2019	66,837	23.1%
Shionogi & Co., Ltd.	Foreign pharmaceutical company	APIs	2019	30,600	10.6%
Millmount Healthcare Limited	Foreign pharmaceutical manufacturing company	CMO	2019	26,873	9.3%
XELLIA PHARMACEUTICALS APS	Foreign pharmaceutical manufacturing company	APIs	2019	22,163	7.6%
Supplier A	Foreign pharmaceutical manufacturing company	Pharmaceuticals	2018	20,560	7.1%
Total				167,033	57.6%
<i>For the year ended 31 December 2024</i>					
Vianex S.A.	Foreign pharmaceutical manufacturing company	Semi-finished pharmaceutical products	2019	139,557	17.0%
XELLIA PHARMACEUTICALS APS	Foreign pharmaceutical manufacturing company	APIs	2019	139,168	16.9%
Amarin Pharmaceuticals Ireland Ltd.	Multinational pharmaceutical company	Pharmaceuticals	2015	113,912	13.9%
Shionogi & Co., Ltd.	Foreign pharmaceutical company	Pharmaceuticals, APIs	2019	72,241	8.8%
Zhejiang Dongbang Pharmaceutical Co., Ltd. (浙江東邦藥業有限公司)	Domestic pharmaceutical manufacturing company	APIs	2019	69,839	8.5%
Total				534,717	65.1%

BUSINESS OF THE TARGET GROUP

Supplier	Background	Product Purchased/ Service Purchased	Commencement of Business Relationship	Amount of Purchases (RMB in thousand)	% of Total Purchases
<i>For the year ended 31 December 2023</i>					
XELLIA PHARMACEUTICALS APS	Foreign pharmaceutical manufacturing company	APIs	2019	111,129	17.6%
Vianex S.A.	Foreign pharmaceutical manufacturing company	Semi-finished pharmaceutical products	2019	111,046	17.6%
GlaxoSmithKline Limited	Multinational pharmaceutical company	Pharmaceuticals, APIs	2007	76,872	12.2%
Zhejiang Dongbang Pharmaceutical Co., Ltd. (浙江東邦藥業有限公司)	Domestic pharmaceutical manufacturing company	APIs	2019	48,301	7.6%
DSV Air & Sea Co., Ltd.	International transportation company	Transportation services (for Vancocin from Europe to China)	2021	36,665	5.8%
Total				384,013	60.8%
<i>For the year ended 31 December 2022</i>					
GlaxoSmithKline Limited	Multinational pharmaceutical company	Pharmaceuticals	2007	152,859	25.1%
XELLIA PHARMACEUTICALS APS	Foreign pharmaceutical manufacturing company	APIs	2019	139,214	22.8%
Vianex S.A.	Foreign pharmaceutical manufacturing company	Semi-finished pharmaceutical products	2019	76,485	12.5%
Zhejiang Dongbang Pharmaceutical Co., Ltd. (浙江東邦藥業有限公司)	Domestic pharmaceutical manufacturing company	APIs	2019	39,833	6.5%
Millmount Healthcare Limited	Foreign pharmaceutical manufacturing company	CMO	2019	33,196	5.4%
Total				441,587	72.4%

BUSINESS OF THE TARGET GROUP

As at the Latest Practicable Date, none of the Target Directors, their associates or any shareholders which, to the knowledge of the Target Directors, owned more than 5% of the issued share capital of the Target Company as at the Latest Practicable Date, had any interest in any of the Target Group's five largest suppliers during the Track Record Period.

Supplier Concentration

The Target Group believes that its supplier concentration during the Track Record Period was due to the nature of its business model, and particularly, contributed by a combination of the following key factors:

- During the Track Record Period, the Target Group's revenue was generated from a limited number of drug products, with the Target Group's three originator-branded products contributing the majority of the Target Group's revenue. As a result, a significant portion of the Target Group's procurement during such period was from suppliers of these originator-branded products.
- The Target Group has established a proprietary and robust quality management system that meets high standards developed by leading MNCs and biotechnology companies. The Target Directors are of the view that maintaining a relatively short list of suppliers can better control product quality and manage costs. For instance, the Target Group regularly conducts on-site inspections and audits at the Target Group's key material suppliers' production facilities. The Target Group believes that its relevant expenses will increase if the Target Group procures from dispersed suppliers. Therefore, the Target Group's key supplier approach helps the Target Group maintain its reputation for high-quality and cost-effective products, which is critical for its long-term success.

The Target Directors believe that its business model is sustainable and in line with industry norm due to the following factors:

- The relationships between the Target Group and its suppliers are mutually beneficial and complementary in nature. Additionally, the Target Group has not experienced any interruption, material disputes, or supply shortages with any of the Target Group's suppliers during the Track Record Period and up to the Latest Practicable Date.
- The Target Group has not entered into any exclusive arrangements with any CMOs or CROs for the supply of the Target Group's products, which provides the Target Group with the flexibility to select suppliers based on their capabilities and the Target Group's actual needs. The Target Directors do not foresee any difficulty in finding substitute suppliers in the unlikely event that any of the Target Group's CMOs or CROs discontinue business relationships with the Target Group.

BUSINESS OF THE TARGET GROUP

COMPETITION

The pharmaceutical market in China is highly competitive and is characterized by a number of established, large pharmaceutical companies, as well as some smaller emerging pharmaceutical companies. The Target Group also competes with MNCs that have operations in China. The Target Group faces competition from other pharmaceutical companies engaged in the research, development, production, marketing or sales of pharmaceutical products, especially in the Target Group's key therapeutic areas, namely anti-infectives, CVD, respiratory system diseases and oncology, as well as in certain other therapeutic areas.

The Target Group's products primarily compete with products that are indicated for similar conditions as the Target Group's products on the basis of efficacy, price and general market acceptance by medical professionals and hospitals. The identities of the Target Group's key competitors vary by product and, in certain cases, the Target Group's competitors may have greater financial and research and development resources than the Target Group, may elect to focus these resources on developing, acquiring or in-licensing and marketing products in China that are substitutes for the Target Group's products, and may have broader sales and marketing infrastructure with which to do so. For details, see the section headed "Industry Overview".

INTELLECTUAL PROPERTY

Intellectual property rights are crucial to the Target Group's business, and the Target Group is committed to the development and protection of the Target Group's intellectual properties.

As at the Latest Practicable Date, the Target Group owned 33 PRC granted patents and four filed PRC patent applications. Additionally, the Target Group in-licensed two granted PRC patents and 14 filed PRC patent applications from the Target Group's licensors in connection with the Target Group's in-licensed innovative products as at the Latest Practicable Date.

The Target Group may rely, in some circumstances, on know-how, trade secret and/or confidential information to protect the Target Group's technology. The Target Group seeks to protect its proprietary technology and processes, in part, by entering into confidentiality agreements with its consultants, scientific advisers, contractors, and invention assignment arrangements with its employees. The Target Group has entered into confidentiality agreements with its senior management and certain key members of its research and development team and other employees who have access to trade secrets or confidential information about its business. The Target Group's standard employment contract, which the Target Group enters into with each of its employees, contains an assignment clause, under which employees assign to the Target Group the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work. The contracts with the Target Group's key management personnel typically include a standard non-compete agreement. However, these agreements may not provide sufficient protection of the Target Group's trade secrets and/or confidential information.

BUSINESS OF THE TARGET GROUP

The Target Group also seeks to preserve the integrity and confidentiality of its data and trade secrets by maintaining physical security of its premises and physical and electronic security of its information technology systems. Despite any measures taken to protect the Target Group's data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that the Target Group regards as proprietary. See "Risk Factors – Risks Relating to The Target Group's Business and Industry – Risks Relating to The Target Group's Intellectual Property Rights".

As at the Latest Practicable Date, the Target Group owned 153 registered trademarks in China and also had 29 domain names in China.

During the Track Record Period and up to the Latest Practicable Date, the Target Group was not involved in any proceedings in respect of, and the Target Group had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which the Target Group may be a claimant or a respondent that may have a material adverse impact on the Target Group.

EMPLOYEES

As at 30 June 2025, the Target Group had 1,640 employees. Substantially all of the Target Group's employees are based in China. The following table sets forth the details of the Target Group's employees by function as at the 30 June 2025.

Function	Number of employees	Percentage of total employees
Sales and marketing	1,099	67.0%
Manufacturing, supply chain and quality management	253	15.4%
Research and development	151	9.2%
Others (including operational and management)	137	8.4%
Total	1,640	100.0%

The Target Group provides regular training to its employees to strengthen knowledge in a number of important areas, such as laws and regulations applicable to its operations, requirements under applicable cGMP or other certifications, SOPs, quality control, workplace safety, corporate culture and environmental matters. The Target Group evaluates its training results every year and adjust its training programs accordingly for the coming year. The Target Group conducts periodical review for its employees to evaluate their performance. The Target Group believes that these programs have enhanced the productivity of its employees.

BUSINESS OF THE TARGET GROUP

The remuneration package of the Target Group's employees includes salary and bonus, which are generally determined based on their qualifications, industry experience, position and performance. The Target Group considers the remuneration package of its employees to be competitive among its domestic competitors. As required by applicable PRC regulations, the Target Group participates in various employee benefit plans that are organised by municipal and provincial governments, including housing funds, pension, medical, maternity and unemployment benefit plans.

During the Track Record Period, some of the Target Group's subsidiaries engaged a third-party human resources agency to pay social insurance and housing provident funds for certain of their employees. According to a confirmation letter issued by the third-party human resources agency in July 2024, it had made all social insurance and housing provident funds contributions for relevant employees of the Target Group's subsidiaries on time and in full accordance with PRC laws. As at the Latest Practicable Date, none of these subsidiaries had received any administrative penalty or labour dispute claims from employees for their agency arrangements with the third-party human resources agency.

As at 31 December 2022, and 2023 and 2024 and 30 June 2025, the number of employees whose social insurance and housing provident funds were paid through the third-party human resources agency was 789, 966, 987 and 875, respectively. This accounted for 60.2%, 59.4%, 57.8% and 53.4% of the Target Group's total number of employees as at the same dates, respectively. The Target's PRC Legal Advisers have advised the Target Group that if an employer fails to make social insurance or housing provident fund contributions for its employees, the employer may face fines ranging from one to three times the outstanding amount if not rectified within the specified time period set by regulatory authorities. However, the Target's PRC Legal Adviser has advised the Target Group that if the Target Group is able to rectify the non-compliance as instructed by the relevant authorities within the specified period, the likelihood of the Target Group being fined by government authorities will be low. The Target Group will continually monitor the payment of social insurance and housing provident funds for the Target Group's employees through third-party human resources agency in compliance with PRC laws and regulations. In locations where the Target Group has a relatively large number of employees, the Target Group will endeavour to gradually establish branch offices in accordance with relevant authorities' requirements. The payment for social insurance and housing provident funds will then be transferred from third-party human resources agency to the Target Group's branch offices. Except as discussed above, during the Track Record Period, the Target Group made full contributions for social insurance and housing provident funds for the Target Group's employees in accordance with applicable PRC laws and regulations. The Target's PRC Legal Adviser has also advised the Target Group, and compliance certificates from relevant government authorities confirm, that the Company did not receive any penalties from competent authorities for social insurance and housing provident fund contributions during the Track Record Period.

BUSINESS OF THE TARGET GROUP

The Target Group's employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. The PRC government requires the Target Group to provide work-related injury insurance for each of the Target Group's employees who have entered into employment contracts with the Target Group. The Target Directors believe that the Target Group generally maintain a good relationship with its employees.

During the Track Record Period and as at the Latest Practicable Date, the Target Group did not experience any material labour disputes or strikes that may have a material and adverse effect on the Target Group's business, financial condition or results of operations.

PROPERTIES

The Target Group's headquarters are located in Shanghai. As at the Latest Practicable Date, the Target Group owned title certificate of one parcel of land located in the PRC, with an area of approximately 30,000 square meters. The Target Group has obtained the building ownership certificates and the related land use right certificates for all of the Target Group's owned properties which had been put into production and use.

As at the Latest Practicable Date, the Target Group leased a number of properties with an aggregate gross floor area of approximately 15,576 square meters in Shanghai, Suzhou, Zhuhai, Chengdu and Harbin for various functions. Additionally, the Target Group leased co-working offices in Hangzhou and Guangzhou. Although the Target Group has reached out to the Target Group's lessors for their necessary support with regard to the filing of the lease agreements, as at the Latest Practicable Date, the Target Group and its lessors have not filed 14 of the Target Group's leases with the governmental authorities due to various reasons, including, without limitation, the failure or unwillingness of the lessors to provide relevant documents. For details, see "Risk Factors – Risks Relating to The Target Group's Financial Position and Business Operations – The Target Group is subject to risks associated with leasing property".

LICENSES, PERMITS AND APPROVALS

The Target Group is subject to regular inspections, examinations, audits and is required to maintain or renew the necessary permits, licenses and certifications for the Target Group's business. The Target's PRC Legal Advisers have advised that the Target Group has obtained all requisite licenses, permits and certifications that have material impact to the Target Group's operation during the Track Record Period and up to the Latest Practicable Date.

BUSINESS OF THE TARGET GROUP

The following table sets forth key licenses, permits and certificates relating to the Target Group's business and operations (apart from those pertaining to general business requirements), their respective purpose, issuing authority and expiry date.

<u>Name</u>	<u>Company</u>	<u>Issuing Authority</u>	<u>Expiry Date</u>
Pharmaceutical Distribution License (藥品經營許可證)	Eddingpharm Suzhou	Jiangsu Drug Administration (江蘇省藥品監督管理局)	19 February 2028
Drug Manufacturing License (藥品生產許可證) for Ceclor and FPN	Eddingpharm (Suzhou)	Jiangsu Drug Administration	2 December 2030

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

The Target Group may be subject to legal proceedings, investigations and claims arising from time to time during the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, the Target Group was not aware of any pending or threatened litigation, arbitration or administrative proceedings against the Target Group or the Target Directors which may have a material adverse impact on the Target Group's business, financial condition or results of operations.

INSURANCE

The Target Group maintains property insurance covering the Target Group's production facilities and equipment that the Target Group believes are sufficient in accordance with customary industry practice, as well as social welfare insurance in accordance with the relevant laws and regulations in China. The Target Group does not carry any product liability insurance which are not mandatory under PRC law. Please refer to "Risk Factors – Risks Relating to The Target Group's Business and Industry – Risks Relating to the Target Group's Financial Position and Business Operations – The Target Group has limited insurance coverage, and any claims beyond its insurance coverage may result in its incurring substantial costs and a diversion of resources" for further details of risks relating to the Target Group's current insurance coverage. To minimise the Target Group's product liability risk, the Target Group has instituted quality control measures in order to avoid or reduce the incidence of product defects. Please refer "– Quality Management, Manufacturing and International Supply Chain Management – '6Ms' Quality Management Systems".

BUSINESS OF THE TARGET GROUP

DATA PRIVACY AND SECURITY

During the Target Group's daily operations, the Target Group may have access to certain data of the Target Group's employees and patients enrolled in the Target Group's clinical trials. Such data consists primarily of the following types of information:

- (i) employees' information collected by the human resources department of the Target Company's domestic subsidiaries, which primarily include: (a) basic information of employees, mainly including name, home address, telephone number, registered permanent residence, nationality, marital status, date of birth, identity card number and personal bank card number of the employees; (b) social insurance and family members' information; (c) education background, including university of graduation, academic qualifications, and degrees; and (d) occupational background, including previous employment experiences; and
- (ii) patients' information collected by the business department of the Target Company's domestic subsidiaries in the course of clinical trials. The Target Group's domestic subsidiaries would collect the clinical information of patients, including the routine blood test information, biochemical examination information, and urine analysis information. However, the names, contact information and other personal information of the patients are desensitized and are not collected by the Target Group's domestic subsidiaries.

The Target Group is committed to the protection of data privacy and data security and have implemented a comprehensive set of internal policies in relation to data storage, retention, transmission and usage, to ensure ongoing compliance with PRC laws and regulations in this regard. The Target Group formulated internal rules on the classification and use of information, in order to carry out the relevant requirements on information protection. According to such rules, all information that the Target Group collects (including personal information) is subject to a "need to know" principle, and the Target Group has formulated control measures and set relevant access limits for information storage, transmission, printing and destruction. In addition, the Target Group has also set up an internal information security working group to take the lead in the management and response to information security incidents when any occurs.

On 22 March 2024, the CAC promulgated the "Regulations on Promoting and Regulating Cross-Border Data Flow" ("**Regulation on Cross-Border Data Flow**") (《促進和規範數據跨境流動規定》), which came into effect from the date of promulgation. The Regulation on Cross-Border Data Flow provides that a data processor that provides data to an overseas recipient and meets any of the following conditions shall apply to the national cyberspace administration for a security assessment of outbound data transfer through the provincial cyberspace administration at the place where it is located: (i) a critical information infrastructure operator that provides any personal information or important data to an overseas recipient; (ii) a data processor, other than a critical information infrastructure operator, that provides any important data to an overseas recipient, or that has cumulatively provided the

BUSINESS OF THE TARGET GROUP

personal information (excluding sensitive personal information) of not less than 1 million individuals or the sensitive personal information of not less than 10,000 individuals to overseas recipients as of 1 January of the current year. According to the Regulation on Cross-Border Data Flow, where, as of 1 January of the current year, a data processor, other than a critical information infrastructure operator, has cumulatively provided to an overseas recipient the personal information (excluding sensitive personal information) of not less than 100,000 individuals but less than 1 million individuals or the sensitive personal information of less than 10,000 individuals, the data processor shall conclude a standard contract for the outbound transfer of personal information with the overseas recipient, or pass a personal information protection certification. As at the Latest Practicable Date, neither the Target Group nor the Target Group's domestic subsidiaries has received a written notice from the relevant competent authorities requesting it applying to the national cyberspace administration for a security assessment of outbound data transfer or concluding a standard contract for the outbound transfer of personal information with the overseas recipient, or passing a personal information protection certification.

In addition, as advised by the Target's PRC Legal Advisers, the Target Group and its domestic subsidiaries were not required to voluntarily apply for a cyber security review under the Cybersecurity Review Measures (《網絡安全審查辦法》) as at the Latest Practicable Date, considering that (a) neither the Target Group nor the Target Group's domestic subsidiaries are network platform operators that have the personal information of more than 1 million users; (b) the New Listing Application is a listing in Hong Kong, rather than a listing abroad (國外); (c) neither the Target Group nor the Target Group's domestic subsidiaries has received any notice on the identification result of being identified as critical information infrastructure operators by the competent authorities; and (d) neither the Target Group nor the Target Group's domestic subsidiaries has received a written notice from the cyber security review office requiring the Target Group to perform cybersecurity review.

To the Target Group's best knowledge, during the Track Record Period and up to the Latest Practicable Date, the Target Group complied in material respects with applicable laws and regulations in the PRC on data privacy and security. The Target Group will continuously trace the laws, regulations and regulatory requirements in the PRC to ensure that the Target Group is in compliance with the relevant requirements in respect of data and personal information protection.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Target Group believes its continued growth rests on integrating social values into its business. Since the inception of the Target Group's operations, the Target Group has established various environmental, social and corporate governance ("ESG") initiatives to comprehensively improve the Target Group's corporate governance and benefit society. To ensure the Target Group's compliance with applicable environmental protection and health and safety laws and regulations, the Target Group (i) utilises the Target Group's real-time monitoring system to monitor the Target Group's key environmental metrics, including pollutants emission and resources consumption; (ii) inspects the Target Group's equipment and

BUSINESS OF THE TARGET GROUP

facilities regularly to identify environmental risks and ensure compliance with the Target Group's environmental requirements and procedures; (iii) provides regular environment awareness training to the Target Group's employees; (iv) keeps records for environmental audits and spot checks; and (v) conducts periodic review of the implementation of environmental protection measures. The Target Group's MSCI ESG rating, which is an independent ESG performance assessment published by MSCI (a U.S. finance company headquartered in the New York City), is comparable to the Target Group's industry peers. According to Frost & Sullivan and based on their analysis of publicly available information, the Target Group's ESG performance is comparable to the Target Group's industry peers, taking into account the Target Group's implementation of measures (i) effectively preventing and reducing hazards and risks associated with the Target Group's operations while ensuring the health and safety of the Target Group's employees and surrounding communities, (ii) implementing pollution controls for wastewater, waste gas, and solid waste, and (iii) promoting equal opportunities for all employees irrespective of gender, age, race, religion, or any other social or personal characteristics.

The Target Group's Board's Commitment

The Target Group's Environmental, Health and Safety (“EHS”) Committee is responsible for monitoring and enforcing the compliance of the Target Group's operations with environment, health and safety laws and regulations. This responsibility is carried out through training; formulation and implementation of strategies, policies, standards and metrics; communication of environmental, health and safety policies and procedures; environmental, health and safety audits; and incident response planning and resources consumption.

The EHS Committee reports to the vice president of operations on a monthly basis. These reports include EHS-related risks and compliance issues identified by the EHS Committee in its daily work, as well as recommendations and measures to address these risks and compliance issues. Based on EHS monthly meeting reports, the management team makes decisions on the Target Group's policies and practices to ensure that the Target Group's operations are in line with environment, safety and occupation health responsibility and requirements. The Target Group plans to adopt a comprehensive ESG policy in accordance with the Listing Rules.

Compliance with Regulations

The Target Group is subject to various PRC laws and regulations in respect of health and occupational safety. The Target Group is committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with the Target Group's operation, and ensuring the health and safety of the Target Group's employees and surrounding communities. The Target Group monitors updates in the relevant laws and regulations of the PRC generally on a monthly basis and endeavour to ensure timely implementation of these updates that are applicable to the Target Group. To stay updated on changes in laws and regulations, the Target Group actively monitors the release of any consultation papers by relevant authorities regarding rule updates. Drawing on the Target Group's industry expertise and knowledge, the Target Group endeavors to provide valuable feedback in response to these

BUSINESS OF THE TARGET GROUP

consultation papers and contribute to the smooth development and implementation of new rules and regulations. The Target Group typically promptly informs the Target Group's EHS committee about any regulatory changes, enabling them to develop appropriate action plans. The Target Group has adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for the Target Group's employees, including those required under the cGMP certification. See also "– Quality Management, Manufacturing and International Supply Chain Management – '6Ms' Quality Management Systems".

The Target Group strives to provide a safe working environment for the Target Group's employees. The Target Group has implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. The Target Group's employees responsible for manufacturing and quality control and assurance are required to hold relevant qualifications, as well as wear the proper safety gear when working. The Target Group conducts regular safety inspections and maintenance for the Target Group's manufacturing facility. As at the Latest Practicable Date, the Target Group had not experienced any material accidents in the course of the Target Group's operation and the Target Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

The Target Group's business is subject to national, provincial and local environmental laws and regulations in China. The relevant laws and regulations applicable to the Target Group in China include provisions governing air emissions, water discharge, the prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. The Target Group has established a pollution control system in order to comply with the applicable laws and regulations. The Target Group believes the Target Group has maintained good relationship with the communities surrounding the Target Group's production facilities. During the Track Record Period and up to the Latest Practicable Date, the Target Group did not have any non-compliance incidents with regards to applicable environmental laws and regulations which may have any material operational or financial impact on the Target Group. For each period of the Track Record Period, the Target Group's costs for compliance with the applicable environmental rules and regulations as a percentage of total revenue for the same respective periods remained less than 1.0%. The Target Group does not expect there to be substantial changes to the Target Group's costs for compliance with the applicable environmental rules and regulations in the near future.

Environmental Protection

The Target Group has implemented a comprehensive environmental, health and safety ("EHS") manuals, policies and standard operating procedures that include management systems and procedures relating to emissions of air, water and other media; wastewater generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third party safety management; emergency planning and response, and product stewardship.

BUSINESS OF THE TARGET GROUP

Energy consumption

During the Track Record Period, the Target Group actively monitored the Target Group's resource consumption for the Target Group's manufacturing function. The main types of energy the Target Group consumes on a daily basis include water, purchased electricity and natural gas. The quantity of the Target Group's energy and resource consumption in relation to production for the periods indicated is set forth in the table below:

		For the year ended 31 December			For the six months ended 30 June
	Unit	2022	2023	2024	2025
Water	M ³	53,545	48,015	92,142	36,456
Purchased electricity	MWh	5,213	5,083	9,406	2,949
Natural gas	M ³	16,149	15,634	16,017	4,997

The Target Group's energy consumption decreased from 2022 to 2023, primarily because the Target Group implemented several projects to upgrade the Target Group's facilities in furtherance of the Target Group's environmental commitments. The Target Group's energy consumption is increased in 2024 as the Target Group started to manufacture FPN by itself in February 2024 and the production volume of the Target Group's other products also increased in 2024.

The Target Group intends to continually reduce the level of the energy consumption. The Target Group has developed a plan to decrease the consumption of water, electricity, and natural gas by approximately 10% and 5%, respectively, in 2025 and 2026. The Target Group is implementing or will implement the following measures in particular:

- carrying out capacity improvement, flexible manufacturing, replacement of old equipment and technological transformation;
- reasonably planning administrative vehicles, reducing the use of administrative vehicles, advocating the use of public transport and new energy vehicles, and reducing gasoline consumption;
- clarifying the energy management responsibility system by assigning relevant responsibilities to individuals and setting up an energy management team;
- monitoring the overall energy consumption of each unit regularly, detecting and analysing abnormal energy consumption timely, adopting special countermeasures and a reward and punishment system, and realising scientific management;

BUSINESS OF THE TARGET GROUP

- promoting the application of new technologies, processes, and equipment for saving energy, while actively eliminating production lines with high energy consumption and backward production capacity, and taking energy efficiency indicators into consideration in the equipment procurement process;
- evaluating the lighting effect in the production facility and office area scientifically, and replacing the lighting equipment with LED lights or other energy-saving lightings without affecting the Target Group's production and operation; and
- strengthening the education and training relating to energy emission reduction for all employees.

Waste discharge and greenhouse gas emission

The Target Group uses quantitative metrics to evaluate, assess and manage the Target Group's pollutants emission and resource consumption. During the Track Record Period, the Target Group engaged third-party professional environmental testing agencies to evaluate the Target Group's pollutants emission, including recycled water and waste gas of the Target Group's plant and ambient noise around the Target Group's plant. During the Track Record Period, the Target Group's operations maintained a record of zero wastewater emissions, and the Target Group's pollutants emission in environmental testing generally met relevant national and industry environmental standards. For example, during the Track Record Period, the pH values of the recycled water were within the range of six to nine and the recycled water contained negligible amount of nitrogen and phosphorus. The non-methane hydrocarbons contained in the exhaust during the Track Record Period did not exceed 60mg/m³.

The Target Group's greenhouse gas emissions consist of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from the Target Group's manufacturing facilities and other stationary combustion sources. Scope 2 energy indirect emissions primarily include the greenhouse gas emissions from the Target Group's usage of purchased electricity and steam. In response to the national target of carbon neutrality, the Target Group actively focuses on reducing the greenhouse gas emissions generated during the Target Group's operations.

BUSINESS OF THE TARGET GROUP

The following table sets forth the emission related indicators in relation to the Target Group's production facilities during the Track Record Period.

Type of emissions	Unit	For the year ended 31 December			For the six months ended 30 June
		2022	2023	2024	2025
Waste gas	KG	71	9	98	40
Greenhouse gas emissions	(tons of CO2 equivalent)	835	858	1,668	530
– Scope 1 (direct emissions)	(tons of CO2 equivalent)	13	13	13	4
– Scope 2 (indirect emissions)	(tons of CO2 equivalent)	822	846	1,655	526

The Target Group's Scope 1 greenhouse gas emissions remained relatively stable during the Track Record Period. Its Scope 2 greenhouse gas emissions of the Target Group also remained generally stable in 2022 and 2023. The sharp increase of Scope 2 greenhouse gas emissions in 2024 was primarily attributable to the commencement of full-scale commercial production at the FPN plant, which maintained a relatively high utilisation level throughout that year. In contrast, the annualised level of Scope 2 emissions in the six months ended 30 June 2025 decreased, as the FPN plant was focusing on production plant upgrades to support R&D activities, with no production activities conducted during this period.

Concern about The Target Group's Scope 3 Emissions

Emissions from suppliers are counted as scope 3 emissions in ESG disclosures. The Target Group's suppliers primarily include pharmaceutical companies. As scope 3 emissions tend to be reported voluntarily to avoid double counting, the Target Group's impact on climate change can be heavily underestimated. To mitigate the Target Group's impact through the Target Group's suppliers, the following actions are expected to be taken in the future:

- Actively research the carbon footprint of the Target Group's suppliers. When screening new service providers in the future, low carbon will be taken into consideration as an important factor; and
- Try to calculate the footprint of the Target Group's suppliers and remind them to manage their footprint.

BUSINESS OF THE TARGET GROUP

The Target Group endeavors to reduce the waste and sewage the Target Group produces. The Target Group has developed a plan to decrease the Target Group's emission of waste gas, scope 1 greenhouse gas and scope 2 greenhouse gas by 10% and 5%, respectively, in 2025 and 2026. The Target Group is implementing or will implement the following measures:

- recycling and reusing the internal cutting leftover materials, reducing the amount of tailings through automatic induction device, and improving the rate of quality products by using automatic detection and automatic deviation correction technologies;
- disposing hazardous waste regularly by a qualified third-party enterprise, and signing a disposal agreement will be every year;
- separating sewage by atomizing purified water for greening watering, water replenishment of fire pool, toilet flushing and other purposes;
- establishing a hazardous waste management account, declaring and registering hazardous wastes, and transferring them to a qualified third party;
- adopting measures such as adjusting product structure or production technology to reduce the amount of hazardous waste generated, having relevant departments regularly conduct on-site inspections of units that generate, collect, store, transfer, utilise, and dispose of hazardous wastes in order to check the condition of the implementation and operation of the pollution prevention and control measures; and
- adjusting and optimising the technology of existing sewage treatment equipment to reduce the concentration of pollutants in the discharged sewage.

Please also see “– Quality Management, Manufacturing and International Supply Chain Management – ‘6Ms’ Quality Management Systems – Milieu (Environment)” for details of the Target Group's environmental protection measures.

Social Responsibility

Gender Diversity

The Target Group applies equal opportunities, and the Target Group aims to eliminate discrimination, harassment and victimization in employment on the grounds such as age or gender. The Target Group's gender diversity objectives signify that men and women are hired at a balanced rate, and they are equally appreciated and valuable to the Target Group's success. Both genders are given the same working opportunities in the Target Group's workplaces. The Target Group recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Target Group's Board level, including gender diversity, as an essential element in maintaining the Target Business's competitive advantage and enhancing the Target Group's ability to attract, retain and motivate employees from the widest possible

BUSINESS OF THE TARGET GROUP

pool of available talent. The Target Group is committed to ensuring gender diversity when hiring mid-level and senior-level employees, so that female senior management and potential successors will be able to join the board of directors in a timely manner to ensure gender diversity of the board of directors.

Employment Contracts

In respect of social responsibilities, the Target Group has entered into employment contracts with the Target Group's employees in accordance with the applicable PRC laws and regulations. The Target Group hires employees based on their merits and it is the Target Group's corporate policy to offer equal opportunities to the Target Group's employees regardless of gender, age, race, religion or any other social or personal characteristics.

RISK MANAGEMENT AND INTERNAL CONTROL

The Target Group recognises that risk management as the cornerstone for its long-term development and success. Leveraging the Target Group's years of experience in collaborating with leading MNCs and biotechnology companies, the Target Group has established a comprehensive risk management system comprising both ex-ante and ex-post policies and procedures which the Target Group considers suitable for its business operations. The Target Group's policies and procedures are aimed at managing and monitoring the Target Group's business performance.

The Target Group has built a dedicated compliance team responsible for implementing and enhancing the Target Group's risk management and internal control system on an on-going basis. Key factors of the Target Group's risk management and internal control system are set forth below.

Preventative Control

The Target Group has established a series of stringent risk management and internal control policies, including the Compliance Code (合規標準), the Anti-Misconduct Policy (反舞弊政策), the Operating Expense Management Manual (運營費用管理手冊), Business Ethics Policy (商業道德政策), the Staff Book (員工手冊), Guidelines for Engagement with Governmental Officials (與政府官員交往指南) and Policy on Promotion and Non-Promotion Materials (推廣材料和非推廣材料的管理規定). The topics covered under these policies include fraud, dishonesty, misuse of confidential information, gifts, entertainments, reimbursement, and use of petty cash. Specifically, all employees are prohibited from the offer of cash or cash equivalents to government officials and the offer of personal gifts to government officials. The Target Group's senior management is responsible for the implementation of these rules and policies.

BUSINESS OF THE TARGET GROUP

The Target Group requires its major business partners, including its distributors, to acknowledge and countersign the Target Group's compliance standards. The Target Group also requires its business partners to use the Target Group's house-form contracts, or where using house-form contracts are not feasible, the Target Group's compliance and/or legal teams must review the contracts before they can be entered into.

The Target Group periodically provides anti-corruption compliance training to its directors and employees to enhance their compliance awareness with applicable laws and regulations. The Target Group requires each of its employees to execute an undertaking prior to their employment to abide by these policies. Non-compliance with these rules and guidelines may result in the employee's dismissal.

Proactive Monitoring

To ensure continuous compliance, the Target Group has established Standard Protocol of Spot Check (飛行檢查標準流程) for the Target Group's promotion and non-promotion activities. The Target Group regularly engages third-party professional investigation service providers to randomly conduct spot checks for marketing and other activities, who independently issue an inspection report to the Target Group's compliance department. The Target Group's compliance department ensures appropriate measures are taken based on those inspection reports.

As part of the Target Group's internal control policy, the Target Group has established Internal Investigation Procedure (合規舉報調查流程) and set up an anti-misconduct management system, which includes a whistleblower hotline and e-mail that allows all of the Target Group's employees to submit anonymous reports of any suspected corruption or other misconducts. In the event that the Target Group receives a report of this type, the Target Group will conduct internal investigations and ensure necessary measures are taken.

Probing and Auditing

The Target Group carry its post-activity monitoring, probing and auditing to cross-check the status of its marketing and other activities. The Target Group conducts comprehensive checking over each activity reimbursement supporting documents, including verifying activity compliance and invoice authenticity through local or national tax bureau websites.

The Target Group is dedicated to cultivating a compliance culture among all of its employees. To ensure such a compliance culture is embedded into everyday workflow and to set the expectations for individual behaviour across the Target Group's organisation, the Target Group regularly conducts internal compliance checks and inspections, adopts strict accountability internally and conducts compliance training. During the Track Record Period, the Target Group has regularly reviewed and enhanced its internal control system.

BUSINESS OF THE TARGET GROUP

The Target Group has implemented strict internal anti-bribery, anti-corruption and conflict of interest measures. First, the Target Group has designed and adopted a comprehensive set of anti-bribery, anti-corruption and conflict of interest internal policies, requiring the Target Group's employees, agents and business partners to strictly follow the Target Group's anti-bribery and anti-corruption requirements. See “– Preventative Control” for details. Second, the Target Group has set up conflict of interest requirements for the Target Group's employees. The Target Group's employees are strictly prohibited from obtaining any financial interests for themselves, their relatives or friends when conducting business activities for the Target Group. If anyone has presented a gift to the Target Group's employees, they are required to contact the Target Group's legal department or compliance department immediately. Third, the Target Group has implemented strict requirements for giving and receiving gifts and hospitality. For example, the Target Group's employees are strictly prohibited from giving or receiving gifts during the marketing or procurement processes, or using gifts as a measure to influence business judgement of others. Fourth, the Target Group has implemented strict policies on engagement with governmental officials. For example, the Target Group's employees are prohibited from offering cash or cash equivalents to government officials or personal gifts to government officials. Fifth, the Target Group has designed and implemented internal policy on donation activities. For example, donation activities for the purpose of rewarding, maintaining, or obtaining certain business are strictly prohibited. Sixth, the Target Group has set up an anti-misconduct management system for employees to submit anonymous reports of any suspected bribery, corruption or activities presenting a violation of conflict of interest. Seventh, the Target Group's business partners are required to acknowledge and strictly follow applicable anti-bribery and anti-corruption requirements. Eighth, the Target Group regularly engages third-party professional investigation service providers to randomly conduct spot checks. The Target Group carries out post-activity monitoring, probing and auditing to ensure continuous compliance with regard to the Target Group's anti-bribery, anti-corruption and conflict of interest measures. See “– Proactive Monitoring” for details.

Furthermore, the Target Group's agreements with distributors include specific mechanisms for allocating responsibility regarding the prevention of commercial bribery and unfair competition. These distribution agreements clearly outline the commitments expected from the Target Group's distributors to ensure compliance with applicable laws. As part of these agreements, distributors are required to sign a “Supplementary Compliance Agreement” in addition to the main agreement, which mandates adherence to all relevant anti-bribery, anti-corruption laws and regulations, as well as the Target Group's internal compliance requirements, throughout the sales process. Moreover, the Target Group has developed comprehensive compliance standards and policies for the Target Group's promotional activities. These activities primarily involve academic promotion, the exchange of product information and usage experiences, as well as other initiatives aimed at medical education, discussing disease treatment knowledge, and hospital management. The Target Group's compliance standards and the compliance approval process enforce rigorous requirements for the venues of these promotional activities, the participants involved, the topics and schedules of academic discussions, approved expense standards, frequency, amounts, and the number of attendees. The implementation of these promotional activities and arrangements strictly adheres to the Target Group's internal regulations. Additionally, the Target Group has

BUSINESS OF THE TARGET GROUP

established compliance arrangements for service providers engaged in the Target Group's promotional activities. The Target Group requires these providers to submit proof of their business licenses, and the Target Group conducts diligent compliance due diligence and assessment through a thorough questionnaire review conducted by the Target Group's compliance department. This process helps identify and evaluate potential risks. Furthermore, service providers are obligated to sign a "Code of Conduct for Business Practices", which commits them to comply with relevant anti-bribery and anti-corruption laws and regulations during the execution of contracts. Moreover, to ensure the authenticity, legality, and compliance of academic conferences and related services, the Target Group conducts flight inspections through the Target Group's internal compliance team and authorised third-party professional auditors.

The Target Company will also continue to implement and enforce proper internal control measures to ensure ongoing compliance with all applicable laws and regulations, including the prevention of the Target Group's employees and subsidiaries from engaging in any corruption, bribery, healthcare fraud, abuse or improper conduct, and other activities of non-compliance. Taking into consideration the measures above, the Target Directors, including the independent non-executive directors, consider that the Target Group's internal control measures are adequate and effective.

IMPACT OF THE COVID-19 OUTBREAK

The COVID-19 pandemic and its recurrence caused temporary disruption to certain aspects of our operations, including our drug production, clinical development and product sales, which had a negative impact on our operations before the end of 2022. For example, because hospital operations were limited by the global pandemic of COVID-19, sales volume of Vancocin was affected in 2022. The supply for Vancocin was also limited by the production capacity of overseas CMOs to a lesser extent. Some packaging materials that the Target Group sourced from overseas CMOs were also utilized in the manufacturing of COVID-19 vaccines. As a result, the increased demand for such packaging materials, driven by the high volume production of COVID-19 vaccines in 2021 and 2022, led to a longer lead time for their supply to the Target Group. Based on the foregoing, the Target Group was not subject to any material adverse impact of the COVID-19 pandemic in terms of its business operations and financial position during the Track Record Period. Given that the COVID-19 prevention and control policies were lifted globally since December 2022, the COVID-19 pandemic has had no material adverse impact on the Target Group's business operation afterwards.

The Group's and Target Group's business and prospects are affected by global geopolitical, economic, trade and regulatory changes. For example, 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. Prior to April 2025, finished pharmaceutical products

BUSINESS OF THE TARGET GROUP

imported from the U.S. were not subject to tariffs in China. Beginning on 4 April 2025, China began imposing additional tariffs in phases, with rates reaching a peak of 125%. Subsequently, on 13 May 2025, the tariff rate was adjusted to 10%. From 4 April 2025 to 13 May 2025, when the above-mentioned tariffs changed significantly, the Target Group's purchases from the U.S. were nil. The Target Group only has minor revenue from the U.S., being nil, nil, RMB10.0 million, RMB5.6 million and RMB2.4 million for the years ended 31 December 2022, 2023, and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for nil, nil, 0.4%, 0.4% and 0.2% of its total revenue in the corresponding period, respectively. The Target Group procured APIs from Japan and export them to the U.S. These APIs were subsequently processed into finished goods and sold to customers in the the U.S., and the Target Group recognized revenue accordingly. During the Track Record Period, the U.S. tariffs on APIs imported from Japan were consistently 6.5%, without any additional tariffs being imposed. The Target Group has entered into licensing-in agreements with certain global pharmaceutical companies, which are currently not subject to direct restrictions under existing U.S. export controls as they do not typically involve the physical export of controlled technologies from the U.S. to the Target Group. As at the Latest Practicable Date, the Target Group did not experience significant regulatory changes or obsolescence regarding its clinical trials, NDA approvals, and cross-border clinical data transfer, nor did it have any ongoing R&D activities located in the U.S.. Considering the above-mentioned de minimis financial and operational exposure, the Target Directors are of the view that there was no material adverse effect on the Target Group's financial condition and results of operations from these tariff changes during the Track Record Period and up to the Latest Practicable Date.

CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

Immediately upon the Merger Closing, based on the Presumed Maximum Share Exchange Ratio, assuming that there is no Taxable Target Shareholder, Mr. Ni, directly and indirectly through Talent Creation and Chinapharm Group, will be interested in 856,999,254 Shares, representing approximately 37.24% of the issued Shares of the Company as enlarged by the allotment and issue of Consideration Shares. As such, Mr. Ni, Talent Creation and Chinapharm Group will become the Controlling Shareholders of the Enlarged Group immediately following the Merger Closing.

DELINEATION OF BUSINESS**Business of the Target Group**

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs with market potential. The Target Group's portfolio addresses medical needs in a large or fast-growing therapeutic area, including anti-infectives, CVD, respiratory system diseases and oncology.

Business of the Group

Our Group is a commercial-ready biopharmaceutical company focusing on developing and commercialising oncology and autoimmune drugs to address unmet medical needs in oncology, autoimmune and other chronic diseases. During the Track Record Period, it has made significant strides in advancing the internal development of key pipeline products.

Other Business of the Controlling Shareholders of the Enlarged Group

In addition to the interest in the Target Group, as of the Latest Practicable Date, the ultimate Controlling Shareholder of the Enlarged Group upon the Merger Closing, Mr. Ni, also held interest in Taizhou EOC, a company mainly engaged in the R&D of oncology drugs.

Taizhou EOC

Taizhou EOC is an integrated biotech company focusing on the discovery, research and development of innovative oncology products. It has established a pipeline of novel oncology programs. For further information of certain of the pipeline products, see “– Investment in Taizhou EOC” below.

Investment in Taizhou EOC

As one of the main business strategies, the Target Group has been exploring new therapeutic areas with promising potential and identifying suitable opportunities to collaborate with or invest in biotech companies. In September 2021, the Target Group invested (through its wholly-owned subsidiary Eddingpharm (Suzhou)) an amount of RMB50 million to subscribe for approximately 1.70% of the enlarged equity interest in Taizhou EOC. The consideration was negotiated and determined after arm's length negotiation between the then existing shareholders of Taizhou EOC (such as top-tier institutional investor, HongShan Capital) and the lead investor, i.e., Tigermed as well as other investors including the Target with reference to the business valuation report issued by an independent third party of the Target Group and the potential benefits to be derived from the investment in Taizhou EOC. As of the Latest Practicable Date, Taizhou EOC was owned as to approximately (i) 1.65% by the Target Group, (ii) 61.20% by EOC Pharma Limited which was in turn controlled as to approximately 62.34% by Mr. Ni, (iii) 1.73% by Eddingpharm International which was in turn controlled as to approximately 64.41% by Mr. Ni, and (iv) 35.42% by 20 independent third parties outside the Target Group, among which, 9.04% was held by HSG Venture V Holdco A, Ltd. and 7.57% was held by Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)). None of the remaining shareholders of Taizhou EOC held more than 5% equity interest.

The Target Group decided to invest in Taizhou EOC for the following reasons:

- as the incidence of cancer remains high, anti-tumour drugs have a significant market potential. The pipeline products of Taizhou EOC focus on the clinical needs of the Chinese market;
- the various pipeline products of Taizhou EOC have proven the strong R&D capabilities of Taizhou EOC in oncology areas, which laid the foundation for the investment so as to supplement and advance the then existing products of the Target Group. At the time of the investment, Taizhou EOC had developed several innovative pipeline products with a focus on the unmet and promising market of oncology drugs, including (i) Jing Zhu Da, a novel, oral, selective HDAC inhibitor indicated for the treatment of HR+/HER2- breast cancer, which received NDA approval from the NMPA in April 2024, (ii) EOC202, a MHCII-targeted APC activator for combination PD-1 inhibitors for head and neck cancer, and combination PD-1 inhibitors for metastatic non-small cell lung cancer, which received a positive results in its phase II clinical trial; and (iii) EOC237, an oral, highly selective CDK7 inhibitor, which successfully completed the phase I clinical trial to evaluate the safety, tolerability, and pharmacological characteristics of EOC237 in patients with advanced solid tumors and preliminarily assess its anti-tumour activity. As of the Latest Practicable Date, Taizhou EOC had not determined the specific indication of EOC237 for further clinical development;

- Taizhou EOC has an experienced and efficient clinical development and product registration team. The core technical employees of Taizhou EOC once worked for well-known domestic and international pharmaceutical companies. As of 30 June 2021, the ratio of Taizhou EOC's R&D staff to its total number of employees was approximately 75%; and
- furthermore, it is a common practice in the pharmaceutical industry for a biopharmaceutical company to make strategic minority investments in biotechnology startup companies that it thinks are of future cooperation potential. By holding equity or economic interest in the selected companies, the Target can effectively foster the development of these promising biotechnology startups and enjoy the upside of the business cooperation. Considering none of the pipeline products of Taizhou EOC came into commercialisation as of the time of the investment, and it had not established any distribution channel, the investment was a good opportunity for the Target not only to gain the equity investment value but also to establish a business cooperation with Taizhou EOC in relation to the commercialisation of Taizhou EOC's pipeline products.

Sublicense Agreement with Taizhou EOC

On 9 May 2023, Eddingpharm Suzhou entered into the Sublicense Agreement with Taizhou EOC, pursuant to which Taizhou EOC agreed to grant an exclusive sublicense to Eddingpharm Suzhou to commercialise Jing Zhu Da (the “**Product**”) in the field of treatment of human cancers, accompanying diagnostic tests (the “**Field**”) in Chinese mainland (the “**Territory**”). Under the Sublicense Agreement, Eddingpharm Suzhou is responsible for the promotion, marketing, sale and distribution activities relating to the Product in the Territory in the Field while Taizhou EOC remains the marketing authorisation holder of Jing Zhu Da and is responsible for all the other matters, including but not limited to, manufacturing and delivery of the Product. Please refer to the section headed “Continuing Connected Transaction of the Enlarged Group” for details. There is a clear delineation of roles of Taizhou EOC and the Target Group under the Sublicense Agreement and the collaboration under the Sublicense Agreement allows both parties to stick to their respective business plans and development paths. There is no inter-conditionality between the Target Group's investment in Taizhou EOC and the Sublicense Agreement with Taizhou EOC.

As the full-cycle development of a pharmaceutical product which spans from R&D, clinical trial, manufacturing, commercialisation, etc., requires significant capital investment and diversified expertise and experiences, it is a common practice in the pharmaceutical industry for a biopharmaceutical company like the Target and a biotech company like Taizhou EOC to cooperate with each other so as to complement each other's strengths and maximise product value whilst spreading the risks and costs associated with the drug R&D and commercialisation processes. The collaboration between biopharmaceutical companies and

biotech companies are quite prevailing and common in China healthcare industry. In addition to the above, further enriching the product portfolio is also one of the core business strategies of the Target Group conforming to the trend of the industry. The Target Group has always been identifying collaboration opportunities with biotech companies to introduce selected assets in new therapeutic areas with promising potential, such as late-stage drugs targeting selected indications in oncology with a niche market, such as Jing Zhu Da. Through the collaboration under the Sublicense Agreement, both groups will be able to stick to their respective business plans and development paths. The Sublicense Agreement allows both Taizhou EOC and the Target Group to share value of the product reasonably commensurate to their respective efforts in R&D and sales and marketing. Through leveraging the robust business, highly professional sales and marketing force and the end-to-end commercialisation platform of the Target Group, the Target believes such transaction under the Sublicense Agreement will bring commercial benefits to the Enlarged Group and achieve business strategies by expanding and enriching its product portfolio.

Business Delineation between Taizhou EOC and the Enlarged Group

The business of Taizhou EOC can be delineated from the Enlarged Group's business in terms of business model, product portfolio, R&D focuses and platform, financial performances for, among others, the following reasons:

- (i) the Enlarged Group is an integrated specialty biopharmaceutical group which is the marketing authorisation holder of its key drugs, responsible for drug commercialisation, manufacturing and quality control, among others, for their entire lifecycle, whereas Taizhou EOC is a biotech company that primarily focuses on the discovery, research and development of its pipeline products, and it has not and is not expected to established any distribution channel. Taizhou EOC is a biotech company primarily dedicated in R&D of oncology products, while the Enlarged Group primarily engaged in late-stage clinical development and commercialisation of product candidates;
- (ii) Taizhou EOC is a biotech company focused on developing innovative anti-tumour drugs, specifically targeting small molecule anti-tumour agents with oncology being the only focusing disease area. The Enlarged Group will operate as an innovation-driven biopharmaceutical group, with a product pipeline that encompasses cardiovascular, respiratory, anti-infective, oncology, and autoimmune diseases, targeting biologics anti-tumour drugs such as bispecific/multispecific antibodies and ADCs; and
- (iii) the Target Group and the Enlarged Group, on pro forma basis have been consistently generating revenue and profits over the past years, while Taizhou EOC is still primarily in the R&D stage and loss-making.

Cancer treatments have evolved rapidly over the past few decades. The landscape of cancer treatments has progressed from surgery and indiscriminate cytotoxic treatments, such as radiotherapy and chemotherapy, to more innovative modalities such as targeted therapies and immunotherapies, represented by antibody-based drugs, including mAbs, bsAbs and ADCs. Although certain drug candidates of Taizhou EOC and the Enlarged Group are designed for the same tumour type, their drug modalities, targets, mechanism of action, indications and treatment lines are different. The Group's oncology drug R&D is built upon a biologics R&D platform, whereas Taizhou EOC relies on its small molecule R&D platform. In addition, clinical practice dictates that treatment choices and sequences are highly individualized, based on the latest clinical guidelines, trial data, disease progression, and patient-specific factors. Treatments typically start with a first-line (1L) therapy, followed by second-line (2L) and later-line therapies if initial treatments are not successful. Certain drugs of the Taizhou EOC and the Enlarged Group designed for the same broad disease types are positioned for different lines of treatment to target the various subpopulations of patients. This distinction is not only based on clinical guidelines but also reflects the unique mechanisms of action and pharmacological profiles of the respective drugs, which cater to specific patient needs at different stages of disease progression.

Details of the distinctions between the drug candidates of the Enlarged Group and Taizhou EOC targeting the same broad disease type are set out below:

HR+/HER2- advanced breast cancer:

Lerociclib, from the Group, is a CDK4/6 inhibitor that reduces phosphorylation of RB1, leading to precise G1 phase arrest and inhibition of cell proliferation across various tumour cell lines dependent on CDK4/6. Taizhou EOC's Jing Zhu Da is a selective inhibitor of histone deacetylases (HDACs) types I and IV. It operates by inhibiting cell proliferation, promoting terminal differentiation, and inducing apoptosis, thereby exerting its anti-tumour effects. The mechanisms of action for Lerociclib and Jing Zhu Da are fundamentally distinct.

Lerociclib has two indications approved by the NMPA for launch to the market: (1) in combination with Fluvestrin for the treatment of HR+/HER2- locally advanced or metastatic breast cancer patients (second-line treatment for advanced breast cancer) with disease progression following previous endocrine therapy; and (2) in combination with letrozole for the treatment of HR+/HER2- locally advanced or metastatic breast cancer (first-line treatment for advanced breast cancer) that had not received prior systemic anti-tumor therapy. Jing Zhu Da is currently approved for use in combination with aromatase inhibitors for the treatment of HR+/HER2-, locally advanced or metastatic breast cancer patients who have relapsed or progressed after endocrine therapy, serving as a second-line treatment. Lerociclib's targeted inhibition of the CDK4/6 pathway makes it a cornerstone of first-line treatment for HR+/HER2- advanced breast cancer, while Jing Zhu Da's broader mechanism of action aligns it with later-line settings where tumor biology may have evolved to require alternative therapeutic strategies.

According to the 2024 Breast Cancer Diagnosis and Treatment Guidelines published by the Chinese Society of Clinical Oncology (CSCO), the combination of aromatase inhibitors and CDK4/6 inhibitors is the standard first-line treatment for HR+/HER2- advanced breast cancer patients, with a Level I recommendation and Grade A evidence. The patient population for Jing Zhu Da includes those with HR+/HER2- advanced breast cancer who have failed endocrine therapy, including patients who have also failed CDK4/6 inhibitor treatment. With the influx of various CDK4/6 inhibitors and generics into the market, as well as insurance coverage, the prevalence of CDK4/6 inhibitors in first-line treatment is expected to significantly rise, positioning Lerociclib primarily for first-line therapy, while Jing Zhu Da will remain limited to second-line therapy. Thus, there are significant distinctions between the patient populations for Lerociclib and Jing Zhu Da. These distinctions underscore the fact that Lerociclib and Jing Zhu Da are not interchangeable, as their respective clinical roles are defined by specific treatment guidelines and patient needs at different stages of disease management.

Non-Small Cell Lung Cancer:

The Group is actively engaged in the development of GB263T, a tri-specific antibody aimed at treating non-small cell lung cancer (NSCLC). This innovative antibody targets both EGFR and two distinct cMET epitopes, providing a robust mechanism for inhibiting both primary and secondary mutations of EGFR as well as disruptions in the cMET signalling pathway. In contrast, Taizhou EOC's EOC202, which is also being developed for NSCLC, functions differently. As a LAG-3 soluble fusion protein, EOC202 combines immune checkpoint inhibition with the activation of antigen-presenting cells to enhance anti-tumour immune responses. These drugs, therefore, address fundamentally different aspects of NSCLC pathophysiology, with GB263T focusing on molecular resistance mechanisms in TKI-treated patients, while EOC202 modulates the immune microenvironment in newly diagnosed patients.

The primary distinctions between GB263T and EOC202 lie in their forms, targets, mechanisms of action, and intended patient populations. GB263T is a tri-specific antibody, whereas EOC202 is a fusion protein. Mechanistically, GB263T prevents ligand-induced phosphorylation of both EGFR and cMET, thereby blocking their signalling pathways. On the other hand, EOC202 interacts with MHC II molecules on antigen-presenting cells, thereby facilitating enhanced antigen presentation and subsequent T-cell mediated cytotoxicity. GB263T is designed for patients with TKI-resistant NSCLC as a second-line or second-line plus therapy, whereas EOC202 is intended for first-line treatment in combination with pembrolizumab, targeting a different NSCLC patient demographic. As such, GB263T and EOC202 are designed to address different needs within the NSCLC treatment landscape and are therefore not interchangeable. In addition, the sequential nature of NSCLC treatment pathways ensures that these drugs operate in distinct stages of therapy, with no practical or clinical overlap in their use cases.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

Based on the above, these drugs and drug candidates targeting the same broad disease type are not interchangeable and cannot be replaced by each other. Their differences in mechanisms of action, therapeutic roles, and clinical positioning ensure that each drug is developed to address distinct patient needs at specific stages of treatment. The Proposed Directors and the Controlling Shareholders of the Enlarged Group consider that these drugs will not affect the business delineation or give rise to material competition between the Enlarged Group and Taizhou EOC.

Additionally, the early-stage oncology product pipelines of Taizhou EOC and the Enlarged Group differ significantly in mechanisms of action and therapeutic areas. Taizhou EOC is developing LAG-3 and CDK7 inhibitors, while the Enlarged Group primarily focuses on bispecific and trispecific antibodies, which do not compete and are not likely to compete with each other. Save as discussed above, none of the indications under clinical development, if any, of the drug candidates of Taizhou EOC overlaps with the approved indications or indications under clinical development of the drugs and drug candidates of the Enlarged Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

Having considered the following matters, the Proposed Directors are satisfied that the Enlarged Group will be capable of carrying out its business independently from the Controlling Shareholders of the Enlarged Group upon the Merger Closing.

MANAGEMENT INDEPENDENCE

Upon the Merger Closing, our Board of Directors will comprise seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Please see the section headed “Proposed Directors and Senior Management of the Enlarged Group” for further details.

The Proposed Directors are of the view that upon the Merger Closing, our Board and senior management team will be able to manage our business independently from the Controlling Shareholders of the Enlarged Group and their close associates for the following reasons:

- although Mr. Ni and Ms. Zhai Jing served as directors at certain entities within the Taizhou EOC Group as of the Latest Practicable Date, Mr. Ni will act as a director with non-executive role and will not hold any executive senior management position within the Taizhou EOC Group upon the Merger Closing, and Ms. Zhai will resign from all positions and directorships within the Taizhou EOC Group prior to the Merger Closing;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

- most companies falling within the Controlling Shareholders of the Enlarged Group or their close associates where the proposed executive Directors and senior management of the Enlarged Group hold any role as a director or a senior management are investment holding companies and therefore would not require such proposed executive Directors and senior management of the Enlarged Group to work intensively on a daily basis or deal with the day-to-day operation of those companies;
- according to the Articles of Association, a Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution) subject that this prohibition shall not apply to certain matters as specified in the Articles of Association;
- there will be three independent non-executive Directors of the Enlarged Group upon the Merger Closing to provide a balance of the number of potentially interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at the Company's cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Proposed Directors or their respective associates;
- each of our Proposed Directors is aware of his/her fiduciary duties and responsibilities under the Listing Rules as a director, which require that she/he acts in the best interests of our Company and our Shareholders as a whole;
- where a Shareholders' meeting is held to consider a proposed transaction in which the Controlling Shareholders of the Enlarged Group have a material interest, the Controlling Shareholders of the Enlarged Group shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and
- Red Solar Capital Limited will serve as our compliance adviser upon the Merger Closing, which will provide advice and guidance to the Enlarged Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Operational Independence

Upon the Merger Closing, the Enlarged Group will hold the requisite assets, licenses, real properties, trademarks and other intellectual properties necessary to carry on its current business, and has sufficient capital, facilities, technology and employees to operate its business independently. The Enlarged Group will have an independent R&D team and other employees to carry out its operations and have not shared its operational resources including customers, sales and marketing and manufacturing with the business of the Controlling Shareholders of the Enlarged Group outside the Enlarged Group. The Enlarged Group will also establish its own organizational structure upon the Merger Closing which comprises individual departments, each with specific areas of responsibilities.

The Sublicense Agreement, details of which are set out in “Continuing Connected Transaction of the Enlarged Group” and “– Other Business of the Controlling Shareholders of the Enlarged Group – Sublicense Agreement with Taizhou EOC,” is entered into with Taizhou EOC is in line with standard industry practices, as the R&D of pharmaceutical products requires substantial capital investment and carries significant risks. It is common for principal drug developers to collaborate with business partners, such as pharmaceutical companies with proven sales and marketing capabilities, to share the risks and costs associated with drug development and commercialization. The Sublicense Agreement allows Taizhou EOC and the Enlarged Group to share the value of the licensed product in a manner commensurate with their respective contributions in R&D and commercialization efforts. The Sublicense Agreement aligns with the respective business strategies of both groups, enabling them to leverage their strengths while bringing mutual commercial benefits. Given the mutual benefits of the Sublicense Agreement, the likelihood of Taizhou EOC unilaterally terminating the license arrangement prior to its expiration is considered extremely low.

Furthermore, revenue generated under the Sublicense Agreement during the Track Record Period and as of the Latest Practicable Date did not constitute a material portion of the Target Group’s revenue or profit and is not expected to be a significant contributor to the Enlarged Group’s financial performance in the foreseeable future post-Merger Closing. As such, in an unlikely event that the Taizhou EOC Group terminates the Sublicense Agreement with the Enlarged Group, the Proposed Directors do not consider such termination will materially and adversely affect the business of the Enlarged Group.

Based on the above, the Proposed Directors are satisfied that the Enlarged Group will be able to function and operate independently from the Controlling Shareholders of the Enlarged Group and their respective close associates.

Financial Independence

Upon the Merger Closing, the Enlarged Group will have an independent financial system. The Enlarged Group will make financial decisions according to its own business needs and neither the Controlling Shareholders of the Enlarged Group nor their close associates will intervene with our use of funds. The Enlarged Group will have accounts with banks independently and do not share any bank account with the Controlling Shareholders of the Enlarged Group or their close associates. The Enlarged Group will make tax filings and paid tax independently from the Controlling Shareholders of the Enlarged Group and their close associates pursuant to applicable laws and regulations. Each of the Group and the Target Group has established and the Enlarged Group will establish an independent finance department and implement sound and independent audit, accounting and financial management systems, which could operate independently from the Controlling Shareholders of the Enlarged Group and their respective close associates.

In March and April 2023, the Target Group provided an aggregate loans of US\$30,444,876.09 or its HKD equivalent to Mr. Ni (the “**Loans**”). The Loans granted to Mr. Ni were mainly applied by Mr. Ni to settle the outstanding share-backed loan amount (including the principal, interests and related fees) he owed to Credit Suisse since April 2019. As of the Latest Practicable Date, the total outstanding principal amount of the Loans and all unpaid interest accrued thereon amounted to US\$34,130,009.87. The principal amount of loan borrowed by Mr. Ni from Credit Suisse was mainly used for his subscription of the series E ordinary Target Shares to support the acquisition of the product rights of Vancocin in China and Italy and Ceclor in China as well as the production facility of Ceclor in Suzhou from Eli Lilly. At the Merger Effective Time, the Merger consideration to be received by Mr. Ni shall minus the total outstanding principal amount of the Loans and all unpaid interest accrued thereon (if any) as at the date immediately preceding the Merger Closing Date. For details, see the section headed “Letter from the Board – The Proposed Merger – Merger Consideration”. Save for above, as of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders of the Enlarged Group or their respective associates.

No loans or guarantees provided by, or granted to, the Controlling Shareholders of the Enlarged Group or their respective associates will be outstanding upon the Merger Closing. The Proposed Directors are satisfied that the Enlarged Group will not be financially reliant on the Controlling Shareholders of the Enlarged Group or their respective close associates. Based on the aforesaid, the Proposed Directors are satisfied that the Enlarged Group will conduct our business independently from the Controlling Shareholders of the Enlarged Group and their close associates from a financial perspective and are able to maintain financial independence from the Controlling Shareholders of the Enlarged Group and their respective close associates upon the Merger Closing.

CORPORATE GOVERNANCE MEASURES

Save as disclosed in “Proposed Directors and Senior Management of the Enlarged Group – Compliance with Corporate Governance Code”, we will comply with the provisions of the Corporate Governance Code set forth in Appendix C1 to the Listing Rules.

Each of the Controlling Shareholders of the Enlarged Group has confirmed that they will fully comprehend each of their obligations to act in the best interests of our Company and our Shareholders as a whole. The Proposed Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, our Company have implemented or will implement the following measures upon the Merger Closing:

- our Articles of Association comply with the Listing Rules. In particular, our Articles of Association provided that, a Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his/her close associates has any material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he be counted in the quorum for the resolution) subject that this prohibition shall not apply to certain matters as specified in the Articles of Association;
- pursuant to our Articles of Association, a Director with material interest in any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, shall declare the nature of his/her interest at the earliest meeting of the Board at which it is practicable for him/her to do so, either specifically or by way of general notice stating that, by reason of the facts specified in the notice, he/she is to be regarded as interests in any contracts of a specified description which may subsequently be made by the Company;
- our Company is committed that our Board should include a balanced composition of executive Director, non-executive Directors and independent non-executive Directors. The Enlarged Group will have three independent non-executive Directors and we believe the proposed independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Proposed Directors and Senior Management of the Enlarged Group – Proposed Directors – Independent Non-executive Directors” in this circular;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

- the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Enlarged Group and any Controlling Shareholder of the Enlarged Group (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;
- upon the Merger Closing, the Enlarged Group will establish internal control mechanisms to identify connected transactions. If the Enlarged Group enters into connected transactions with any Controlling Shareholder of the Enlarged Group or any of their associates, the Enlarged Group will comply with the applicable Listing Rules;
- as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in the ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;
- the Controlling Shareholders of the Enlarged Group will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors, for the Annual Review;
- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- Red Solar Capital Limited will serve as our compliance adviser upon the Merger Closing, which will provide advice and guidance to the Enlarged Group in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Proposed Directors’ duties and corporate governance.

Based on the above, the Proposed Directors are satisfied that sufficient corporate governance measures will be put in place to manage conflicts of interest that may arise between the Enlarged Group and the Controlling Shareholders of the Enlarged Group, and to protect our minority Shareholders’ interests upon the Merger Closing.

UNDERTAKING BY THE CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders of the Enlarged Group have undertaken to the Stock Exchange and to the Company that, the Controlling Shareholders of the Enlarged Group shall not and shall procure that the relevant registered holders of the Shares in which they are beneficially interested shall not:

- (a) in the period commencing on the Merger Closing Date and ending on the date (the “**End Date**”) which is six months from the Merger Closing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are the beneficial owner immediately upon the Merger Closing (the “**Relevant Securities**”); and
- (b) in the period of six months commencing from the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that the Controlling Shareholders of the Enlarged Group would cease to be the controlling shareholders of the Enlarged Group.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders of the Enlarged Group also have undertaken to the Stock Exchange and the Company that within the period commencing on the Merger Closing Date and ending on the date which is 12 months from the Merger Closing Date, the Controlling Shareholders of the Enlarged Group shall:

- (i) when any Controlling Shareholders of the Enlarged Group pledge or charge any Shares or securities of the Company beneficially owned by them in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS OF THE ENLARGED GROUP

- (ii) when any Controlling Shareholder of the Enlarged Group receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

The Controlling Shareholders of the Enlarged Group also understand and agree that the Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by them and make a public disclosure in relation to such information by way of an announcement if required by the Listing Rules.

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

OVERVIEW

The Target has entered into certain transaction with Taizhou EOC, an associate of the Controlling Shareholders of the Enlarged Group, who will, upon the Merger Closing, become a connected person of the Company. Details of such continuing connected transaction are set out below.

			Proposed annual caps for the year ending 31 December	
Transaction	Applicable Listing Rules	Waivers sought	2025	2026
Partially-exempt continuing connected transaction				
Sublicense Agreement	14A.34, 14A.35, 14A.49,	Announcement requirement	Commission	Commission
	14A.51 to 14A.59 and		Fees: Nil	Fees:
	14A.71		Royalty	RMB44,000,000
			Payment:	Royalty
			RMB800,000	Payment:
				RMB8,200,000

SUBLICENSE AGREEMENT

Eddingpharm Suzhou, a wholly-owned subsidiary of the Target, entered into the Sublicense Agreement with Taizhou EOC on 9 May 2023 (the “**Effective Date**”), pursuant to which Taizhou EOC agreed to grant an exclusive sublicense to Eddingpharm Suzhou to commercialise Jing Zhu Da (the “**Product**”) in the field of treatment of human cancers, accompanying diagnostic tests (the “**Field**”) in Chinese mainland (the “**Territory**”). Jing Zhu Da is a novel, oral, selective HDAC inhibitor indicated for the treatment of HR+/HER2- breast cancer. Jing Zhu Da selectively inhibits Class I HDACs to improve and regulate histone hyperacetylation and promote transcription activation of specific genes, and ultimately inhibit cell proliferation, accelerate terminal differentiation and/or induce apoptosis. Jing Zhu Da has significant advantages over non-selective pan-HDAC inhibitors.

Eddingpharm Suzhou and Taizhou EOC have obtained the consent from the sub-licensor, Syndax Pharmaceuticals, Inc., a company listed on the NASDAQ Stock Exchange (ticker symbol: SNDX) and the consent from the original licensor.

Principal Terms

Pursuant to the Sublicense Agreement, Taizhou EOC agreed to grant an exclusive sublicense to Eddingpharm Suzhou to commercialise the Product in the Field in the Territory, and Eddingpharm Suzhou is entitled to carry out the marketing, distribution, sale and promotion activities of the Product in the Field in the Territory, including without limitation, planning, market research, advertising, educating, marketing, promoting, distributing and post-marketing safety surveillance, medical affairs management and reporting for the Product in the Territory.

Without prejudice to the foregoing, to the extent the “two-invoice system” (or such other similar policy as may be stipulated by the government authority in the Territory from time to time) is applied to the sales of the Product in the Territory, a commission model shall be adopted where Eddingpharm Suzhou shall be responsible for the marketing and promotion of the Product in the Territory and is entitled to designate one or more third-party distributor(s) to purchase the Product directly from Taizhou EOC and further distribute in the Territory (the “**Commission Model**”). Taizhou EOC will sign distribution agreements with such designated distributors in the form reasonably satisfactory to Eddingpharm Suzhou. To the extent the Commission Model is applied, Taizhou EOC will book the sales of the Product to the designated distributors and pay Eddingpharm Suzhou commission fees (the “**Commission Fees**”).

Given the fact that Taizhou EOC will be the marketing authorisation holder of the Product in the Territory, Taizhou EOC agreed to, at its sole cost and expense, among others: (i) maintain all regulatory approvals, quality control and pharmacovigilance of the Product, (ii) manufacture, store and deliver the Product, (iii) receive and accept all purchase orders for the Product and responsible for the invoices, and (iv) defend and, eventually pay, all of the Product’s liability claims.

Pursuant to the terms of the Sublicense Agreement, Eddingpharm Suzhou has made Taizhou EOC an upfront payment of RMB40 million within ten days following the Effective Date and a development milestone payment of RMB20 million following Taizhou EOC’s obtaining of NDA approval of the Product from the NMPA. In addition, during the 15 years from the first commercial sale of the Product in the Territory (subject to the validity of Product’s patent) (the “**Royalty Term**”), Eddingpharm Suzhou shall pay Taizhou EOC a royalty on Net Sales (as defined below) of the Product in the Territory (the “**Royalty Payment**”). The royalty rate ranges from 15% to 20% reflecting the amount of the Net Sales (as defined below). Taizhou EOC is entitled to net off the Royalty Payment from the Commission Fees.

The fees paid and payable under the Sublicense Agreement, including the upfront, milestone and Royalty Payments, and the Commission Fees to be received by the Target Group, were determined after arms' length negotiations between the Target Group and Taizhou EOC. In determining the upfront payment, the development milestone payment and Royalty Payment, Eddingpharm Suzhou and Taizhou EOC have taken into consideration, among others, the following factors: (i) expenses incurred for the development of the Product; (ii) expected prospects of the Product in the Territory; and (iii) the overall average amount of upfront payment, development milestone payment and Royalty Payment for drugs reaching phase III clinical trial in relevant pharmaceutical industry in the PRC. As advised by F&S, many factors could affect the pricing of licensing deals, including previous licensor/licensee deal experiences, R&D costs, sales, market size, CAGR, company's risk diversification preference, etc. Due to the various characteristics of oncology drugs, the pricing of licensing deals of oncology drugs differs case by case, which could have a relatively wide range in upfront payment, milestone payment and royalty rate. According to a market research conducted by F&S, the upfront and milestone payment of oncology drugs in the previous license-in cases between 2018 and 2024 could range from USD3.7 million to USD1,330 million and the royalty rate could range from 8% to 20%. A discounted cash flow model (the "**DCF Model**") was also conducted based on selected license-in precedents of oncology drug with similar scale to the Product, according to which the fees paid and payable under the Sublicense Agreement are lower than comparable license-in precedents. Considering the above, F&S confirmed that, the fees paid and payable under the Sublicense Agreement are in line with the prevailing industry practice.

Reasons for and Benefits of the Transaction

As the full-cycle development of a pharmaceutical product which spans from R&D, clinical trial, manufacturing, commercialisation, etc., requires significant capital investment and diversified expertise and experiences, it is a common practice in the pharmaceutical industry for a biopharmaceutical company like the Target and a biotech company like Taizhou EOC to cooperate with each other so as to complement each other's strengths and maximise product value whilst spreading the risks and costs associated with the drug R&D and commercialisation processes. The collaboration between biopharmaceutical companies and biotech companies are quite prevailing and common in China life science market. In addition to the above, further enriching the product portfolio is also one of the core business strategies of the Target Group conforming to the trend of the industry. The Target Group has always been identifying collaboration opportunities with biotech companies to introduce selected assets in new therapeutic areas with promising potential, such as late-stage drugs targeting selected indications in oncology with a niche market, such as Jing Zhu Da. Through the collaboration under the Sublicense Agreement, both groups will be able to stick to their respective business plans and development paths. The Sublicense Agreement allows both Taizhou EOC and the Target Group to share value of the product reasonably commensurate to their respective efforts in R&D and sales and marketing. Through leveraging the robust business, highly professional sales and marketing force and the end-to-end commercialisation platform of the Target Group, the Target believes such transaction under the Sublicense Agreement will bring commercial benefits to the Enlarged Group and achieve its business strategies by expanding and enriching the product portfolio of the Enlarged Group.

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

As confirmed by F&S, the Sublicense Agreement, including its terms and relevant arrangements, is in line with the industry prevailing practice. Taking into consideration of the above and the corporate governance procedures in place as set out below, the Target believes that the principal terms of the Sublicense Agreement, in particular the payment terms, pricing policy, 15-year Royalty Term, and the proposed annual caps of the Commission Fees and the Royalty Payment for the two years ending 31 December 2026 are on normal commercial terms or better to the Enlarged Group and the Sublicense Agreement is in the interest of the Enlarged Group and its shareholders as a whole.

Corporate Governance Measures

During the ordinary and usual course of business of the Target Group, it reviews potential collaboration opportunities from time to time. When potential opportunity arises, it would normally consider the R&D capability of the potential business partner and the R&D progress and strengths of the product and request the potential business partners to provide, among others, the development prospect of the product, market forecasts for the demand of the product, competitive landscape and regulatory requirements of the product for that market. In parallel, prior to a decision of in-licensing or acquiring a particular product, its R&D, sales and marketing, financial and business development teams perform in-house market forecasts and financial analysis for such potential products, and project competitive landscape of the products for the territory of interest. Furthermore, the business development team of the Target Group routinely evaluates licensing arrangements by third parties in respect of drug products with similar mechanism of action for deal benchmarking and for term sheet evaluation purposes. In addition, the commercial negotiations with potential business partners are led by the vice president of business development of the Target, who will evaluate the terms taking into account all relevant factors as the Target Group considers necessary.

Upon the Merger Closing, a decision on whether to establish collaborations with another company will be made purely based on medical and commercial considerations and only if the Enlarged Group considers it is in the best interest of the Enlarged Group and its shareholders to enter into such collaboration arrangement.

Term of the Sublicense Agreement

Unless otherwise terminated earlier in accordance with the terms of the Sublicense Agreement, the Sublicense Agreement shall take effect from the Effective Date and expire at the end of the Royalty Term.

Under Rule 14A.52 of the Listing Rules, the period of an agreement for a continuing connected transaction must be fixed and must not exceed three years, except in cases where the nature of the transaction requires the agreement to be a duration longer than three years. However, the Sublicense Agreement has a long term exceeding three years. Both the Company and the Target are of the view, that, the business of commercialisation of drug candidate underlying the Sublicense Agreement is the nature of the transaction that requires a longer contractual term, on the grounds that (i) the Sublicense Agreement allows the Target Group to

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

leverage its ability to commercialise biological drug products so as to benefit from the royalty generated from the net sales, which is long-term in nature; (ii) the term for the Sublicense Agreement reflects the long-term commercial and strategic cooperation and relationship between the Target Group and Taizhou EOC to secure long-term license right and a more stable and effective arrangement for the commercialisation of the Jing Zhu Da, which will help avoid unnecessary business interruption and ensure the long-term development and continuity of the Target Group's business; and (iii) if the Sublicense Agreement is subject to renewal every three years or less, even in the absence of any material amendment, change, rescission or re-signing of these agreements, the Target Group may face unnecessary and substantial risks of failing to renew such agreement upon expiry and losing competitive advantages. As such, the Sublicense Agreement was entered into on normal commercial terms and a longer duration of the agreement will avoid any unnecessary business interruptions and help ensure the long-term stable business development, and it is normal business practice for agreements of this type to be of such duration. The Joint Sponsors are of the view that, based on the due diligence conducted and taking into consideration (i) the reasons for entering into the Sublicense Agreement as set out above; (ii) the market practice in the pharmaceutical industry for similar license agreement as confirmed by F&S; and (iii) the fact that the relevant arrangements were negotiated on an arm's length basis, it is reasonable for the Sublicense Agreement to be entered into for a term exceeding three years.

Historical Transaction Amounts

Since the Effective Date and up to the Latest Practicable Date, an upfront payment of RMB40 million and a milestone payment of RMB20 million regarding the NDA approval obtained for the Product had been paid by Eddingpharm Suzhou to Taizhou EOC. The Target Group did not recognise or incur any Commission Fees or Royalty Payments during the two years ended 31 December 2023. During the year ended 31 December 2024 and for the six months ended 30 June 2025, the Target Group recognised Commission Fee of RMB1,946,000 and nil and incurred Royalty Payment of RMB1,832,000 and nil, respectively under the Sublicense Agreement.

Annual Caps on Future Transaction Amounts

In addition to the one-off upfront payment and development milestone payment paid by us to Taizhou EOC, the Target Group is entitled, under the Sublicense Agreement to receive the Commission Fees from Taizhou EOC for the sales of the Product in the Territory, the amount of which would be net off by the Royalty Payment payable by the Target Group to Taizhou EOC under the Sublicense Agreement.

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

The proposed annual caps for the Commission Fees and Royalty Payment under the Sublicense Agreement for the two years ending 31 December 2026 are set out below:

	For the year ending 31 December	
	2025	2026
	<i>(RMB)</i>	<i>(RMB)</i>
Commission Fees	Nil	44,000,000
Royalty Payment	800,000	8,200,000

Basis of Annual Caps

The proposed annual caps for the Commission Fees and Royalty Payment are determined in accordance with the formulas for the calculation of the proposed Commission Fees and the Royalty Payment, the addressable market of the Product and the expected net sales growth:

The formulas for the calculation of the proposed Commission Fees and the Royalty Payment

$$\text{Commission Fees} = \text{Net Sales}^{(1)} - \text{Taizhou EOC COGS}^{(2)}$$

Notes:

1. Net sales shall mean the gross amount invoiced by Eddingpharm Suzhou or its affiliates (or, to the extent the Commission Model is applied, by Taizhou EOC) for sales of the Product in the Territory, less certain usual and customary deductions as agreed in the Sublicense Agreement.
2. Taizhou EOC COGS shall mean all the costs incurred by Taizhou EOC and its affiliates (as applicable), including materials cost, labour cost, factory overhead cost, production, packaging, testing, and relevant tax, duties, insurance, warehouse costs and transportation expenses plus margin.

$$\text{Royalty Payment} = \text{Net Sales} \times \text{royalty rate}^{(1)}$$

Note:

1. The royalty rate increases with the Net Sales and has a range from 15% to 20% determined based on the actual amount of the Net Sales.

Expected sales supported by addressable market marked by unmet medical needs and marketing efforts

The expected addressable market for the Product primarily comprises patients with HR+/HER2– locally advanced or metastatic breast cancer who have relapsed or progressed following endocrine therapy and are suitable for second-line treatment. Each year, approximately 30% of patients with HR+/HER2– advanced breast cancer experience further disease progression during first-line treatment. As there is currently no standard treatment regimen for second-line or later-line treatment, HDAC inhibitors (the mechanism of action of the Product) represent one of the available treatment options. These highlight a considerable unmet medical need, representing a critical opportunity for the Product to address this patient

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

population. The Product participated in the NRDL price negotiation in 2025. According to F&S, the inclusion of the NRDL is expected to broaden patient access and drive an increase in the Product's sale volume. With the possible inclusion of the Product in the NRDL, it is estimated that by 2026, approximately 5% of second-line or later-line patients will receive treatment with an HDAC inhibitor. The net sales for the calculation of the proposed annual caps of the Commission Fees and Royalty Payment are assessed with reference to the Product's potential price range and market penetration after the inclusion in the NRDL.

The Commission Fees and the Royalty Payment are fair and reasonable and in the interest of the Enlarged Group and its shareholders as a whole as the Commission Fees and the Royalty Payment contemplated under the Sublicense Agreement, including the proposed annual caps for the two years ending 31 December 2026 and the formulas as stated above, were determined after arm's length negotiation between Taizhou EOC and the Target Group and in the ordinary and usual course of the business of both parties. The Sublicense Agreement and the overall arrangements thereunder, including the upfront payment, development milestone payment, Royalty Payment and Commission Fees as a whole, are generally in line with the market practice, as confirmed by F&S.

The Enlarged Group will, after taking into account, among other things, the historical transaction amounts of the Commission Fees and the Royalty Payment under the Sublicense Agreement, set monetary annual caps every three years after 2026, and will comply with the applicable requirements under Chapter 14A of the Listing Rules, if applicable, based on the highest applicable percentage ratio in respect of such monetary annual caps.

Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the annual caps for the two years ending 31 December 2026 as we currently expect is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction will, upon the Merger Closing, be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

By virtue of Rule 14A.76(2) of the Listing Rules, the transaction contemplated under the Sublicense Agreement will constitute a partially-exempt continuing connected transaction subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

As the transaction contemplated under the Sublicense Agreement is expected to continue on a recurring, continuing basis and will extend over a period of time, both the Company and the Target consider that compliance with the announcement requirement would be impractical, unduly burdensome and would impose unnecessary administrative costs on the Enlarged Group. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the transaction contemplated under the Sublicense Agreement for the two years ending 31 December 2026.

The Stock Exchange has granted such waiver subject to the following conditions:

- (a) the Enlarged Group will comply with the applicable requirements under Chapter 14A of the Listing Rules if there is any material change to the terms, including the proposed annual caps for the two years ending 31 December 2026 for the Commission Fees and the Royalty Payment, of the Sublicense Agreement. The Enlarged Group will, after taking into account, among other things, the historical transaction amounts of the Commission Fees and the Royalty Payment under the Sublicense Agreement, set monetary annual caps every three years after 2026, and will comply with the applicable requirements under Chapter 14A of the Listing Rules based on the highest applicable percentage ratio in respect of such monetary annual caps;
- (b) the Enlarged Group will designate an alliance team to execute and ensure that the transaction in relation to the Sublicense Agreement is undertaken in accordance with the terms thereunder;
- (c) the proposed senior vice president of business development of the Enlarged Group, Ms. Zhai Jing, will use her endeavours to supervise the compliance with the terms of the Sublicense Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis, and the Enlarged Group will adopt measures to review and confirm that the pricing of the transaction under the Sublicense Agreement is fair and reasonable and on normal commercial terms or terms better from the Enlarged Group's perspective;
- (d) the proposed independent non-executive Directors of the Enlarged Group upon Merger Closing and the auditors of the Enlarged Group will review the transaction in relation to the Sublicense Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

CONTINUING CONNECTED TRANSACTION OF THE ENLARGED GROUP

- (e) the Enlarged Group will, on an annual basis, disclose the transaction amount, and confirm whether the transactions have been conducted in accordance with the terms of the Sublicense Agreement, and whether the Commission Fees and the Royalty Payment have exceeded the proposed annual caps;
- (f) the Enlarged Group will disclose in the circular the background for entering into the Sublicense Agreement, the terms of the Sublicense Agreement, the grounds for the waiver sought and the Proposed Directors' and the Joint Sponsors' views on the fairness and reasonableness of the transaction under the Sublicense Agreement; and
- (g) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this circular on the above continuing connected transaction, the Enlarged Group will take immediate steps to ensure compliance with such new requirements.

In addition, the Target will comply at all time with the other applicable provisions under Chapter 14 and Chapter 14A of the Listing Rules in respect of the discloseable and partially-exempt continuing connected transaction.

CONFIRMATION FROM THE PROPOSED DIRECTORS

The Proposed Directors, including the proposed independent non-executive Directors, are of the view that: (i) the partially-exempt continuing connected transaction as set out above has been and will be entered into in the ordinary and usual course of business of the Target Group and the Enlarged Group, respectively, on normal commercial terms or terms better, which are fair and reasonable and in the interest of the Enlarged Group and its shareholders as a whole; and (ii) the proposed annual caps for the years ending 31 December 2025 and 2026 for the partially-exempt continuing connected transaction described in this section are fair and reasonable and in the interest of the Enlarged Group and its shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information prepared and provided by the Target in relation to the continuing connected transaction described in this section. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that: (i) the partially-exempt continuing connected transaction has been entered into in the ordinary and usual course of business of the Target Group, on normal commercial terms or better, which are fair and reasonable, and in the interests of the Enlarged Group and its shareholders as a whole; and (ii) the proposed annual caps for the years ending 31 December 2025 and 2026 for the partially-exempt continuing connected transaction described in this section are fair and reasonable and in the interests of the Enlarged Group and its shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons had an interest (or long position) or short position in the Shares or underlying Shares of our Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Long Positions in the Shares of our Company:

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate% of our Company's issued share capital
HHJH Holdings Limited ⁽¹⁾	Beneficial owner	126,239,103	23.90%
HH BIO Investment Fund L.P. ⁽¹⁾	Interest in a controlled corporation	126,239,103	23.90%
Hillhouse Fund IV, L.P. ⁽¹⁾	Interest in a controlled corporation	126,239,103	23.90%
Hillhouse Investment Management, Ltd. ⁽¹⁾	Investment manager	127,989,103	24.23%
Kanghe Medical Technology Limited ⁽²⁾ ("Kanghe Medical")	Beneficial owner	44,311,060	8.39%
Kang Jia Medical Technology Limited ⁽²⁾ ("Kang Jia Medical")	Beneficial owner	13,491,962	2.55%
Walga Biotechnology Limited ⁽³⁾	Beneficial owner	37,560,998	7.11%
Shanghai Walga Biotechnology Co., Ltd. (上海沃嘉生物技術有限公司) ⁽³⁾	Interest in a controlled corporation	37,560,998	7.11%
Yunnan Walvax Biotechnology Co., Ltd. (雲南沃森生物技術股份有限公司) ⁽³⁾	Interest in a controlled corporation	37,560,998	7.11%
Aranda Investments Pte. Ltd. ⁽⁴⁾	Beneficial owner	29,157,348	5.52%
Seletar Investments Pte Ltd ⁽⁴⁾	Interest in a controlled corporation	29,157,348	5.52%
Temasek Capital (Private) Limited ⁽⁴⁾	Interest in a controlled corporation	29,157,348	5.52%
Temasek Holdings (Private) Limited ⁽⁴⁾	Interest in a controlled corporation	31,157,348	5.90%

Notes:

- HHJH Holdings Limited ("HHJH") is an exempted company incorporated in the Cayman Islands with limited liability. HHJH is wholly owned by HH BIO Investment Fund, L.P. ("HH BIO"), an exempted limited partnership established in the Cayman Islands. The sole limited partner of HH BIO is Hillhouse Fund IV, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd. ("Hillhouse"), an exempted company incorporated under the laws of the Cayman Islands. The sole general partner of HH BIO is HH BIO Holdings GP, Ltd.
- Each of Kanghe Medical and Kang Jia Medical is a subsidiary of Zhejiang CONBA Pharmaceutical Co., Ltd (浙江康恩貝製藥股份有限公司) as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

3. Walga is wholly owned by Shanghai Walga Biotechnology Co., Ltd. (上海沃嘉生物技術有限公司), which is in turn wholly owned by Walvax, a company listed on the Shenzhen Stock Exchange (stock code: 300142). As such, under the SFO, Shanghai Walga Biotechnology Co., Ltd. and Walvax are deemed to be interested in the 37,560,998 Shares held by Walga. Walga is an indirect wholly-owned subsidiary of Yunnan Walvax Biotechnology Co., Ltd. (雲南沃森生物技術股份有限公司).
4. Aranda Investments Pte. Ltd. (“**Aranda Investments**”) is a company incorporated in Singapore and its principal activity is investment trading and investment holding. Aranda Investments is wholly owned by Seletar Investments Pte Ltd, which in turn is wholly owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited is a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Besides, Temasek Holdings (Private) Limited also holds about 0.38% of the Shares in issue indirectly through other entities.

Immediately upon completion of the Merger Closing, the following persons are expected to have an interest in the Shares or underlying Shares of our Company which would be recorded in the register required to be kept under section 336 of the SFO and would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company⁽¹⁾:

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate% of our Company's issued share capital
Mr. Ni	Beneficial owner ⁽²⁾	837,966,754	36.41%
	Interest in controlled corporations ⁽³⁾	19,032,500	0.83%
HSG Holding Limited ⁽⁴⁾	Interest in controlled corporations	181,644,432	7.89%
Pink Crystal China Fund, L.P. ⁽⁵⁾	Beneficial owner	151,369,706	6.58%
Forebright New Opportunities Fund, L.P. ⁽⁶⁾	Interest in controlled corporations	149,387,096	6.49%
HHJH Holdings Limited ⁽⁷⁾	Beneficial owner	126,239,103	5.49%
HH BIO Investment Fund L.P. ⁽⁷⁾	Interest in a controlled corporation	126,239,103	5.49%
Hillhouse Fund IV, L.P. ⁽⁷⁾	Interest in a controlled corporation	126,239,103	5.49%
Hillhouse Investment Management, Ltd. ⁽⁷⁾	Investment manager	127,989,103	5.56%
OrbiMed Asia Partners ⁽⁸⁾	Beneficial owner	124,839,669	5.42%
OrbiMed III ⁽⁹⁾	Beneficial owner	116,287,791	5.05%

(1) Based on the Presumed Maximum Share Exchange Ratio assuming that (a) there is no other change in the number of Shares and Target Shares held by each Shareholder and Target Shareholder, respectively, from the date of this circular up to and until the Merger Closing Date; and (b) there is no Taxable Target Shareholder.

(2) As of the Latest Practicable Date, Mr. Ni held 30,675,180 Target Share Options granted to him under the Target Share Option Scheme, which pursuant to the Merger Agreement and the One-off Share Option Plan, will be converted into 101,534,846 Converted Options.

SUBSTANTIAL SHAREHOLDERS

- (3) As of the Latest Practicable Date, Mr. Ni owned approximately 45.33% and 46.32% of the issued share capital of Talent Creation and Chinapharm Group, respectively, and also acted as the sole director of each of the Talent Creation and Chinapharm Group. Therefore, Mr. Ni is deemed to be interested in the Shares in which Talent Creation and Chinapharm Group are interested under the SFO.
- (4) The general partner of each of HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P. and HongShan Capital Principals Fund I, L.P. is HongShan Capital Management I, L.P. (“**HSG Management I**”). The general partner of each of HongShan Capital Growth Fund I, L.P., HongShan Capital GF Principals Fund I, L.P. and HongShan Capital Growth Partners Fund I, L.P. is HongShan Capital Growth Fund Management I, L.P. (“**HSGGF Management I**”). The sole shareholder of HSG Growth V Holdco Q, Ltd. is HongShan Capital Growth Fund V, L.P., whose general partner is HSG Growth V Management, L.P. (“**HSGG V Management**”). HSG Holding Limited is the general partner of each of HSG Management I, HSGGF Management I and HSGG V Management. Therefore, each of HSG Holding Limited, SNP China Enterprises Limited (as the sole shareholder of HSG Holding Limited) and Mr. Neil Nanpeng Shen (as the sole shareholder of SNP China Enterprises Limited) is deemed to be interested in the Shares held by HongShan Capital I, L.P., HongShan Capital Partners Fund I, L.P., HongShan Capital Principals Fund I, L.P., HongShan Capital Growth Fund I, L.P., HongShan Capital GF Principals Fund I, L.P., HongShan Capital Growth Partners Fund I, L.P. and HSG Growth V Holdco Q, Ltd. under the SFO.
- (5) Each of Parallel Universes Asset Management Limited (as general partner of Pink Crystal China Fund, L.P.), Boundless Plain Holdings Limited (as the sole shareholder of Parallel Universes Asset Management Limited) and Mr. Eric Li (as the sole shareholder of Boundless Plain Holdings Limited) is deemed to be interested in the Shares held by Pink Crystal China Fund, L.P. under the SFO.
- (6) As of the Latest Practicable Date, Novel Insight was wholly owned by Forebright New Opportunities Fund, L.P. and Novel Sky was owned as to 75% by Forebright New Opportunities Fund, L.P. Therefore, each of Forebright New Opportunities Fund, L.P., FNOF GP Limited (as the general partner of Forebright New Opportunities Fund, L.P.) and Forebright Global Limited (as the sole shareholder of FNOF GP Limited) is deemed to be interested in the Shares held by Novel Insight and Novel Sky under the SFO.
- (7) HHJH is an exempted company incorporated in the Cayman Islands with limited liability. HHJH is wholly owned by HH BIO, an exempted limited partnership established in the Cayman Islands. The sole limited partner of HH BIO is Hillhouse Fund IV, L.P., which is managed and controlled by Hillhouse, an exempted company incorporated under the laws of the Cayman Islands. The sole general partner of HH BIO is HH BIO Holdings GP, Ltd.
- (8) Each of OrbiMed Asia GP, L.P. (as the general partner of OrbiMed Asia Partners, L.P. (“**OAP**”)) and OrbiMed Advisors Limited (as the general partner of OrbiMed Asia GP, L.P.) is deemed to be interested in the Shares held by OAP under the SFO.
- (9) Each of OrbiMed Asia GP III, L.P. (as the general partner of OrbiMed Asia Partners III, L.P. (“**OAP III**”)) and OrbiMed Advisors III Limited (as the general partner of OrbiMed Asia GP III, L.P.), is deemed to be interested in the Shares held by OAP III under the SFO.

Save as disclosed above, the Directors and the Target Directors were not aware, as of the Latest Practicable Date, of any person who will have an interest (or long position) or short position in the Shares or underlying Shares of our Company which would be recorded in the register required to be kept under section 336 of the SFO and would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

PROPOSED DIRECTORS

Save for Mr. Yu Tieming (于鐵銘), all the existing Directors will resign with effect immediately preceding the Merger Effective Time.

The Board immediately following the Merger Closing will consist of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors.

The following table sets out information in respect of the Directors immediately following the Merger Closing:

Name	Age	Position	Date of joining the Enlarged Group	Effective date of appointment/re-appointment as a Director	Responsibility
Mr. Ni Xin (倪昕)	54	Chairman and executive Director	Founder of the Target Group	Upon the Merger Closing	Overseeing the strategic development, overall operation and management and major decision making of the Enlarged Group
Ms. Zhai Jing (翟婧)	42	Executive Director	19 November 2015	Upon the Merger Closing	Business development, management of product licensing and acquisition and strategic cooperation of the Enlarged Group
Dr. David Guowei Wang	64	Non-executive Director	3 August 2012	Upon the Merger Closing	Providing guidance and advice on the corporate and business strategies of the Enlarged Group
Mr. Yu Tieming (于鐵銘) (being the Remaining Director)	44	Non-executive Director	2 January 2024	2 January 2024	Providing guidance and advice on the corporate and business strategies of the Enlarged Group
Dr. Xu Qing (許慶)	54	Independent Non-executive Director	Upon the Merger Closing	Upon the Merger Closing	Supervising and providing independent advice to the Enlarged Group
Mr. Chen Wen (陳文)	57	Independent Non-executive Director	16 June 2020	Upon the Merger Closing	Supervising and providing independent advice to the Enlarged Group
Ms. Zheng Jingjing (鄭晶晶)	49	Independent Non-executive Director	Upon the Merger Closing	Upon the Merger Closing	Supervising and providing independent advice to the Enlarged Group

Executive Directors

Mr. Ni Xin (倪昕), aged 54, is proposed to be the Chairman, an executive Director and the president of the Enlarged Group with effect from the Merger Closing. Mr. Ni will be mainly responsible for overseeing the strategic development, overall operation and management and major decision making of the Enlarged Group upon the Merger Closing.

Mr. Ni founded the Target Group in September 2001 and is the chairman of the board of directors, executive director and chief executive officer of the Target. He has over 23 years of experience in pharmaceutical industry. He was appointed as a Target Director on 22 June 2020 and was subsequently re-designated as an executive director of the Target on 27 August 2020. As of the Latest Practicable Date, Mr. Ni also held directorship at each subsidiary of the Target Group.

Over the years, Mr. Ni has guided the Target Group in establishing an integrated business framework spanning R&D, manufacturing and commercialisation. Under his leadership, the Target Group has established strategic collaborations with multinational pharmaceutical companies, including but not limited to GSK, Roche and Eli Lilly, to commercialize proprietary branded products in China. These partnerships facilitated the development of a professional commercialization team with specialized expertise in local market penetration and lifecycle management. Specifically, in 2015, the Target Group obtained the exclusive right from Amarin to develop and commercialise Vascepa in Greater China, and between 2019 and 2020, the Target Group completed strategic acquisitions of pharmaceutical assets from Eli Lilly and GSK, and obtained the exclusive right to market and sell Mulpleta in China, Hong Kong and Macau from Shionogi. For details, please refer to the section headed “Business – Acquisition and In-licensing Arrangements” in this circular. The transactions further strengthened the Target Group’s capabilities in manufacturing, quality control, global supply chain management, and technology transfer for complex respiratory formulations, and demonstrated its enhanced competencies in innovative drug development and regulatory strategy execution.

Additionally, the manufacturing facility in Suzhou has been recognized with multiple certifications. It has been recognized as (i) Jiangsu Provincial Industrial Internet Development Demonstration Enterprise (Benchmark Factory Category) (江蘇省工業互聯網發展示範企業(標桿工廠類)) in 2023, (ii) Jiangsu Provincial Gazelle Enterprise (江蘇省瞪羚企業) in 2022 and 2024, (iii) Suzhou Engineering Technology Research Center (蘇州市工程技術研究中心) in 2024 and (iv) Suzhou Model Smart Workshop (蘇州市示範智能車間) in 2023. It is further recognized as National High-Tech Enterprise in 2023 and Jiangsu Provincial Specialized, Sophisticated, Distinctive, and Innovative SME in 2024.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Mr. Ni obtained his Bachelor's degree in medicine in July 1994 from Zhenjiang Medical College (鎮江醫學院) (later merged into Jiangsu University (江蘇大學)), and a Master of Business Administration in September 2006 from China Europe International Business School (中歐國際工商學院). He was awarded as the technology leader by Suzhou Industrial Park (蘇州工業園區) in November 2017.

Ms. Zhai Jing (翟婧), aged 42, is proposed to be an executive Director and the senior vice president of business development of the Enlarged Group with effect from the Merger Closing. She will be mainly responsible for business development, management of product licensing and acquisition and strategic cooperation of the Enlarged Group upon the Merger Closing.

Ms. Zhai was appointed as a Target Director on 15 September 2022 and was subsequently re-designated as an executive director of the Target on 2 June 2023. She joined the Target Group in November 2015 as senior manager of business development and was subsequently promoted as the director of business development of the Target Group in January 2020 and the senior director of business development of the Target Group in August 2020. Ms. Zhai has been serving as the vice president of business development of the Target since January 2022.

Prior to joining the Target Group, she served as a clinical pharmacist at United Family Hospital from August 2007 to August 2008. From August 2008 to June 2014, she served as a consultant at IQVIA Inc. (previously known as IMS Health). From June 2014 to November 2015, she served as a business development manager at Fresenius Kabi China.

Ms. Zhai obtained her Bachelor's degree and Master's degree in science from Peking University (北京大學) in July 2005 and July 2007, respectively.

Non-executive Directors

Dr. David Guowei Wang, aged 64, is proposed to be a non-executive Director with effect from the Merger Closing.

Dr. Wang was appointed as a Target Director on 31 July 2020 and was subsequently re-designated as a non-executive director of the Target on 27 August 2020.

Dr. Wang has over 18 years of experience in the medical industry. From April 2006 to July 2011, he served as a managing director at WI Harper Group. Dr. Wang is a partner and senior managing director, Asia at OrbiMed, an investment firm, where he has served in various roles of increasing responsibility since August 2011.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Dr. Wang has held directorships at various companies, including (i) a director (re-designated as a non-executive director since April 2016) at AK Medical Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1789) since February 2016; (ii) a director at Sichuan Biokin Pharmaceutical Co., Ltd. (四川百利天恒藥業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688506) since September 2017; (iii) a director at Gaush Meditech Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 2407) since December 2017; and (iv) a director of Laekna, Inc. (a company listed on the Main Board of the Stock Exchange, stock code: 2105) since July 2019.

Prior to the above, Dr. Wang was also (i) a director at Amoy Diagnostics Co., Ltd. (廈門艾德生物醫藥科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300685) from June 2015 to August 2021; (ii) a non-executive director at Union Medical Healthcare Limited (香港醫思醫療集團有限公司) (currently known as EC Healthcare (醫思健康)) (a company listed on the Main Board of the Stock Exchange, stock code: 2138) from August 2018 to April 2020; (iii) a director at Gracell Biotechnologies Inc. (a company previously listed on Nasdaq and delisted in February 2024, stock code: GRCL) from March 2020 to February 2024; and (iv) a director at Sinovac Biotech Ltd., (a company listed on the NASDAQ Stock Exchange, ticker symbol: SVA) from January 2025 to June 2025.

Dr. Wang received his Bachelor's degree in medicine from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Centre (北京大學醫學部)) in July 1986. He received his Doctorate in developmental biology from California Institute of Technology in the U.S. in June 1995.

Mr. Yu Tieming (于鐵銘), aged 44, is currently a non-executive Director and will continue to serve as a non-executive Director following the Merger Closing.

Mr. Yu is currently a partner at Hillhouse Investment. Since February 2016, Mr. Yu has joined Hillhouse Investment and now serves as a partner. From April 2021 to May 2022, Mr. Yu has also served as a director of Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600267).

Mr. Yu holds a Bachelor Degree in financial management from Northern Jiaotong University (北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)).

Independent Non-executive Directors

Dr. Xu Qing (許慶), aged 54, is proposed to be an independent non-executive Director with effect from the Merger Closing. Dr. Xu has been working at Shanghai University of Finance and Economics (上海財經大學) since October 2007 and has been serving as a professor since June 2010.

Dr. Xu became a member of Dawn Project (曙光計劃) initiated and implemented by Shanghai Education Development Foundation (上海市教育發展基金會) and Shanghai Municipal Education Commission (上海市教育委員會) in December 2010. He was awarded as Excellent Talents in the New Century (新世紀優秀人才) by the Ministry of Education of the PRC in May 2011. He also won the academic award and advanced individual title from Shanghai University of Finance and Economics in September 2018.

Dr. Xu obtained his Bachelor's degree in English for cross-border trading from Jiangsu Institute of Technology (江蘇工學院) (currently known as Jiangsu University (江蘇大學)) in July 1993. He received his Master's degree in agricultural economy and management from Nanjing Agricultural University (南京農業大學) in July 1996 and his Doctorate in philosophy from the University of Adelaide in Australia in March 2005. He was a post-doctoral fellow in Fudan University (復旦大學) from April 2005 to October 2007.

Mr. Chen Wen (陳文), aged 57, currently an independent non-executive Director and is proposed to be re-appointed as an independent non-executive Director with effect from the Merger Closing.

Mr. Chen has over 11 years of experience in clinical research and business development of pharmaceutical companies. Prior to joining the Group, Mr. Chen was the deputy general manager and general manager of the business development department of Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300347) from September 2010 to February 2020 and from May 2009 to February 2020, respectively. Mr. Chen currently serves as a partner of healthcare investment at Shanghai Yonghua Investment Management Co., Ltd. (上海涌鐸投資管理有限公司).

Mr. Chen graduated from Purdue University, the United States with a Bachelor's degree of science in May 1992. He obtained a Master's degree in medicine in Washington University in St. Louis, the United States, and a Master's degree in business administration in the University of Durham in the UK in May 1997 and December 1999, respectively.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Ms. Zheng Jingjing (鄭晶晶), aged 49, is proposed to be an independent non-executive Director with effect from the Merger Closing.

Ms. Zheng is a multifaceted finance executive with decades of experience in financial management, investment and auditing. Ms. Zheng embarked on her career in finance from September 1999 to January 2014 with Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), where she was promoted as a partner in July 2011. From April 2014 to March 2015, she served as the financial director of Shanghai Yuhong Classic Equity Investment Fund Management Co., Ltd. (上海御泓經典股權基金管理有限公司). From March 2015 to January 2022, she served as the chief financial officer of Hanxiede Investment Consulting (Shanghai) Co., Ltd. (漢偕德投資諮詢(上海)有限公司). From June 2022 to July 2025, she served as the deputy chief administration officer of Shanghai Jinjing Investment Management Consulting Co., Ltd. (上海金景投資管理諮詢有限公司), focusing on its financial management. Ms. Zheng has been serving as an operations manager (middle and back office) of Shanghai Qingxin Investment Management Co., Ltd. (上海清新投資管理有限公司) since December 2025.

Ms. Zheng has been holding and held directorships in multiple listed companies, including (i) an independent director of Shanghai AEG Enterprise Development Co., Ltd. (上海安奕極企業發展股份有限公司) (a company listed on National Equities Exchange and Quotations System, stock code: 874098) since January 2024, and (ii) an independent director of Zhejiang Tengen Electrics Co., Ltd. (浙江天正電氣股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 605066) from June 2020 to May 2023.

Ms. Zheng obtained her Bachelor's degree in international finance from Shanghai Jiao Tong University (上海交通大學) in July 1999. She has also been a PRC certified public accountant.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

SENIOR MANAGEMENT

The proposed senior management of the Enlarged Group will be responsible for the day-to-day management of the business of the Enlarged Group. The following table sets out information about the proposed senior management of the Enlarged Group:

Name	Age	Position	Date of joining the Enlarged Group	Effective date of appointment as senior management of the Enlarged Group	Responsibility
Mr. Ni Xin (倪昕)	54	President	Founder of the Target Group	Upon the Merger Closing	Overseeing the strategic development, overall operation and management and major decision making of the Enlarged Group
Dr. Guo Feng (郭峰)	55	Chief executive officer	16 April 2020	16 April 2020	Management execution and formulating R&D strategies
Dr. Han Shuhua (韓淑華)	66	Chief scientific officer	8 November 2024	Upon the Merger Closing	R&D strategies and execution
Mr. Liang Qibin (梁其斌)	69	Senior vice president	20 October 2021	20 October 2021	Craft R&D and manufacturing management of the macromolecular drugs
Ms. Zhai Jing (翟婧)	42	Senior vice president of business development and joint company secretary	19 November 2015	Upon the Merger Closing	Business development, management of product licensing and acquisition and strategic cooperation of the Enlarged Group

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Mr. Ni Xin (倪昕), aged 54, is proposed to be the president of the Enlarged Group upon the Merger Closing. Please refer to “– Proposed Directors – Executive Directors – Mr. Ni Xin” for his biography.

Dr. Guo Feng (郭峰), aged 55, is currently the chief executive officer of the Company and is proposed to be the chief executive officer of the Enlarged Group following the Merger Closing. He will be mainly responsible for management execution and formulating R&D strategies upon the Merger Closing.

Dr. Guo joined the Group in April 2020. He was appointed as a Director on 16 April 2020 and Chairman on 2 November 2021. He subsequently resigned as an executive Director and Chairman on 12 September 2024 but has remained as the chief executive officer of the Company. Dr. Guo also holds the positions of director of Genor Biopharma Co., Ltd. (嘉和生物藥業有限公司) and executive director of Yuxi Genor Biotechnology Co., Ltd. (玉溪嘉和生物技術有限公司). Dr. Guo is primarily responsible for the overall management, business and strategy of the Group. Dr. Guo has accumulated over 20 years of experience in biopharmaceutical industry, particularly in its management and in research and development. Prior to joining the Group, Dr. Guo was the chairman and director of Xuanzhu (Beijing) Pharmaceutical Technology Limited (軒竹(北京)醫藥科技有限公司) from February 2019 to April 2020 and was responsible for supervising and managing its long-term development strategies and clinical operations. Dr. Guo was the executive director and vice president of Sihuan Pharmaceutical Holdings Group Limited (四環醫藥控股集團有限公司) (a company listed on the Main Board of the Stock Exchange, stock code: 460), from December 2017 to April 2018 and from August 2017 to December 2018, respectively. Dr. Guo served as the chief executive officer of Tayu Huaxia Biotech Medical Group Co., Ltd. (大有華夏生物醫藥集團有限公司), a company specialising in research and development of advanced immunotherapy drugs, from October 2016 to May 2017. He served at Merck Serono (Beijing) Pharmaceutical R&D Co., Ltd. as the head of its China R&D Hub and vice president, from May 2013 to September 2016. From January 2002 to April 2013, Dr. Guo served with Pfizer, Inc. (a company listed on NYSE, ticker symbol: PFE), and held a number of senior positions, including as the associate director at Pfizer Global R&D Headquarter based in Connecticut, the United States and the head of its Clinical Pharmacology Asia in China from January 2002 to June 2011, the director of its China R&D Centre and the head of its Wuhan Research and Development Centre, China.

Dr. Guo obtained his Doctorate in clinical pharmacology from the University of Toronto in Canada in May 2001.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Dr. Han Shuhua (韓淑華), aged 66, is proposed to be the chief scientific officer of the Enlarged Group with effect from the Merger Closing. She will be mainly responsible for R&D strategies and execution.

Dr. Han has over 30 years of academic research and drug discovery experience, especially in the fields of oncology, immune-oncology, inflammation, autoimmune diseases and immunology. Dr. Han joined the Target Group in November 2024 and has been serving as the chief scientific officer of the Target since then. Prior to joining the Target Group, Dr. Han worked at the Department of Immunology of Baylor College of Medicine, Houston, Texas, the United States. From April 2011 to December 2020, she served in various positions in WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a wholly-owned subsidiary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603259) and the Stock Exchange (stock code: 2359)), including the vice president of its Domestic Discovery Service Unit, the senior director of the Department of Neurology and Immunology, and as executive director. From January 2021 to March 2024, she served as the chief scientist of the Group, primarily responsible for establishing the global first-in-class/differential research and development platform for early identifying bi-specific/multi-specific antibodies in immune-oncology, building new drug discovery teams and conducting molecules research on potential global first-in-class and best-in-class products, which will become clinically beneficial and commercially viable drugs with the best potential.

Dr. Han obtained her bachelor's degree in medicine and master's degree in immunology from Shanghai Medical School, Fudan University in August 1983 and in December 1986, respectively, and obtained a Ph.D. from Imperial College, University of London in September 2000.

Mr. Liang Qibin (梁其斌), aged 69, is currently the chief technology officer of the Group and is proposed to be the senior vice president of the Enlarged Group following the Merger Closing. He will be mainly responsible for craft R&D and manufacturing management of the macromolecular drugs upon the Merger Closing.

Mr. Liang has been appointed as the chief technology officer of the Group since October 2021. Mr. Liang is primarily responsible for the manufacturing science and technology of drug products and quality control of the Group, to further strengthen the innovation ability of core technologies and achieve efficient innovation in technology, research and development, processes, management and other areas. Mr. Liang has around 30 years of experience in renowned biopharmaceutical companies including Bayer Corporation, Genentech Inc. and Progenics Pharmaceuticals, Inc. Mr. Liang has served as a senior manager in upstream manufacturing at Progenics Pharmaceuticals, Inc. Apart from his experience in the United States, Mr. Liang has also served as a bio-manufacturing senior director at Wuxi AppTec Co., LTD., and as president at MabPlex International and CMAB Biopharma Inc.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Mr. Liang obtained his Bachelor's degree in chemical engineering from the East China University of Science and Technology (華東理工大學) and obtained a Master's degree also in chemical engineering from the University of Idaho.

Ms. Zhai Jing (翟婧), aged 42, is proposed to be the senior vice president of business development of the Enlarged Group upon the Merger Closing. Please refer to “– Proposed Directors – Executive Directors – Ms. Zhai Jing” for her biography.

Save as disclosed in this circular, to the best knowledge, information and belief of the Directors and the Target Directors having made all reasonable inquiries, there were no other material matters relating to their appointment as a Proposed Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Save as disclosed above, none of the Proposed Directors and proposed senior management of the Enlarged Group held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

None of the Proposed Directors and proposed senior management of the Enlarged Group is related to other Proposed Directors and proposed senior management of the Enlarged Group.

JOINT COMPANY SECRETARIES

Ms. Zhai Jing (翟婧) will be a joint company secretary of our Company upon the Merger Closing. Please refer to “– Board of Directors – Executive Directors – Zhai Jing” for her biography.

Ms. Yip Chui Mei (葉翠媚) will be a joint company secretary of our Company upon the Merger Closing. Ms. Yip is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in the company secretarial field. She obtained a master's degree in corporate governance from Hong Kong Metropolitan University (previously known as The Open University of Hong Kong) in November 2018 and is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

The Proposed Directors will replace the existing Directors to form three Board committees for the Enlarged Group upon the Merger Closing.

Audit Committee

The Company has established an audit committee 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, among other things, to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. Upon the Merger Closing, the audit committee will comprise one non-executive Director and two independent non-executive Directors, namely Mr. Yu Tieming, Dr. Xu Qing and Ms. Zheng Jingjing. Ms. Zheng Jingjing, being the chairperson of the audit committee upon the Merger Closing, is qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Compensation Committee

The Company has established a compensation committee 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 compensation committee are, among other things, to make recommendations to the Board on the policy and structure for the remuneration of directors and senior management, and to establish a formal and transparent procedure for developing such remuneration policy and structure and to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration. Upon the Merger Closing, the compensation committee will comprise one non-executive Director and two independent non-executive Directors, namely Dr. David Guowei Wang, Dr. Xu Qing and Mr. Chen Wen. Dr. Xu Qing will be the chairperson of the compensation committee upon the Merger Closing.

Nomination Committee

The Company has established a nomination committee 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, among other things, to identify, consider and recommend to the Board appropriate candidates to serve as directors of the Company, oversee the process for evaluating the performance of the Board including assessing each Director's time commitment and contribution to the Board and maintaining a board skills matrix, and develop and recommend to the Board the nomination guidelines, which shall be consistent with any applicable laws, regulations and listing standards. Upon the Merger Closing, the nomination committee comprises one executive Director and two independent non-executive Directors, namely Mr. Ni Xin, Dr. Xu Qing and Ms. Zheng Jingjing. Mr. Ni Xin will be the chairperson of the nomination committee upon the Merger Closing.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, age, cultural and education background, professional qualifications, skills, knowledge, and industry and regional experience. Recommendations on change to the Board is made to complement the Company’s corporate strategy and to ensure the Board maintains a balanced diverse profile.

Upon the Merger Closing, our Directors will have a balanced mix of knowledge and skills, including in management, business development, R&D, investment management and corporate finance. They obtained degrees in various majors including medicine, business administration, science, accounting and international finance, among others. We will have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board will have a balanced age and gender representation. Taking into account the business of the Enlarged Group and the different background of our Proposed Directors, the composition of our Board immediately following the Merger Closing satisfies our Board Diversity Policy.

Regarding the gender diversity on our Board immediately following the Merger Closing, we recognise the particular importance of gender diversity. Upon the Merger Closing, our Board will comprise two female Directors and five male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female management and potential successors to our Board in due time to ensure gender diversity of our Board. We target to maintain at least the current level of female representation on the Board with the ultimate goal of approaching gender parity. The Enlarged Group will continue to emphasize on the training of female talents and providing long-term development opportunities for its female staff.

Our nomination committee is responsible for ensuring the diversity of our Board members. Immediately following the Merger Closing, our nomination committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Enlarged Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the Merger Closing except for code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive of the Company should be separate and should not be performed by the same individual.

The roles of the proposed Chairman and president, being the proposed chief executive of our Company, will be performed by Mr. Ni immediately following the Merger Closing. In view of Mr. Ni's substantial contribution to the Enlarged Group since the establishment of the Target Group and his extensive experience, we consider that having Mr. Ni acting as both our Chairman and president will provide strong and consistent leadership to the Enlarged Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Ni will act as both our Chairman and president after the Merger Closing, and therefore will not propose to separate the functions of Chairman and president.

While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Enlarged Group, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board will comprise three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Ni and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for the Enlarged Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which will continue to comprise experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Enlarged Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Enlarged Group in order to assess whether separation of the roles of Chairman and president is necessary.

DIRECTORS' REMUNERATION

During the Track Record Period, directors and senior management of the Target received compensation in the form of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind with reference to their individual job duties, qualification, performance, experience, time commitment and the Target Group's performance. It is expected that upon the Merger Closing, the Enlarged Group will adopt the existing remuneration policy of the Target Group and provide competitive remuneration package to its directors, senior management and other staff.

During the three years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the total amount of remuneration (including emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind but excluding equity-settled share-based payment expense) for the Target Directors was approximately RMB5.9 million, RMB10.9 million, RMB11.1 million and RMB4.3 million, respectively. For remuneration details of all Target Directors during the Track Record Period, please refer to Note 9 to the Accountants' Report of the Target Group as set out in Appendix I to this circular.

For each of the financial years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the five highest remunerated individuals of the Target included one, two, two and two Target Director(s), respectively, and their remuneration were included in the total amount paid by the Target Group for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind but excluding equity-settled share-based payment expense (if applicable) to the relevant Target Directors. For the three financial years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the aggregate amount of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind but excluding equity-settled share-based payment expense (if applicable) the Target Group paid to the five highest paid individuals who are neither a Target Director nor the chief executive of the Target Group was approximately RMB9.5 million, RMB7.6 million, RMB7.8 million and RMB4.9 million, respectively.

During the Track Record Period, no remuneration was paid by the Target Group nor receivable by the Target Directors or the highest remunerated individuals as incentives for joining or as rewards upon joining the Target Group. During the Track Record Period, no remuneration was paid by the Target Group nor receivable by the Target Directors, past Target Directors or the highest remunerated individuals of the Target Group as compensation for leaving positions relating to management affairs in any subsidiary of the Target.

During the Track Record Period, none of the Target Directors waived any remuneration. Except as otherwise disclosed above, during the Track Record Period, no other amounts shall be paid or payable by the Target Group to the Target Directors or the highest remunerated individuals of the Target Group.

Save as disclosed in this section, no Target Director is entitled to receive other special benefits from the Target Group.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Under the proposed arrangements and on the assumption that the Proposed Directors will be appointed with effect from the Merger Closing, the aggregate remuneration (excluding any possible payment of discretionary bonus and equity-settled share-based payment expense) estimated to be payable by the Enlarged Group to the Proposed Directors for the financial year ending 31 December 2025 will be approximately RMB5.91 million.

COMPLIANCE ADVISER

The Company will appoint Red Solar Capital Limited as the compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules with effect immediately following the Merger Closing. The Compliance Adviser will provide the Enlarged Group with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- where the Enlarged Group proposes to use the Remaining IPO Proceeds in a manner different from that detailed previously or where the business activities, development or results of the Enlarged Group deviate from any forecast, estimate or other information in this circular; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of the Shares securities, the possible development of a false market in the Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence upon the Merger Closing and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the financial results of the Company for the first full financial year commencing after the Merger Closing Date.

CONFIRMATIONS FROM OUR PROPOSED DIRECTORS**Rule 8.10 of the Listing Rules**

From time to time our proposed non-executive Directors and proposed independent non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these proposed non-executive Directors and proposed independent non-executive Directors will not be members of the executive management team of the Enlarged Group, we do not believe that their interests in such companies as directors would render us incapable of carrying on the business of the Enlarged Group independently from the other companies in which these proposed non-executive Directors and proposed independent non-executive Directors may hold directorships from time to time.

Each of the Proposed Directors (other than the proposed independent non-executive Directors) confirms that as of the Latest Practicable Date, save as disclosed herein and in the paragraph headed “Relationship with Controlling Shareholders of the Enlarged Group – Delineation of Business”, they did not have any interest in a business which competes or is likely to compete, directly or indirectly, with the business of the Enlarged Group and requires disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Proposed Directors confirms that they (i) have obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 20 November 2024, and (ii) understand their obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the proposed independent non-executive Directors has confirmed (i) their independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) they have no past or present financial or other interest in the business of the Enlarged Group or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect their independence at the time of their appointments.

FINANCIAL INFORMATION OF THE TARGET GROUP

You should read the following discussion and analysis in conjunction with the Target Group's audited consolidated financial statements included in "Appendix I – Accountants' Report of the Target Group" to this circular, together with the accompanying notes. The Target Group's consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS Accounting Standards"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report of the Target Group and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by the Target Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that it believes are appropriate under the circumstances. However, whether the actual outcome and developments will meet the Target Group's expectations and predictions depends on a number of risks and uncertainties over which the Target Group does not have control. For details, see "Forward-looking Statements" and "Risk Factors".

OVERVIEW

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs. In over 20 years of operations, the Target Group has successfully brought multiple innovative drugs to market in China, reflecting its strong clinical development and management capabilities. Moreover, the Target Group has demonstrated high-quality manufacturing, supply chain management, technology transfer and quality control systems through operating the production facilities and management systems transferred from MNCs in its historical asset acquisitions. In 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, the Target Group's revenue amounted to RMB2,073.8 million, RMB2,303.8 million, RMB2,546.0 million, RMB1,373.3 million and RMB1,135.5 million, respectively. The Target Group has also demonstrated strong profitability with gross profit margins of 66.0%, 65.4%, 67.4%, 67.3% and 66.9% for the same periods, respectively.

KEY FACTORS AFFECTING THE TARGET GROUP'S RESULTS OF OPERATIONS

Demand and Sales of The Target Group's Products

The Target Group's financial performance and future growth depend on the growth of the Target Group's products, its ability to capture greater market share, the growth of key therapeutic areas in which it operates, as well as the regulatory framework for the

FINANCIAL INFORMATION OF THE TARGET GROUP

pharmaceutical industry. The Target Group has selected high demand drugs in some of the largest or fastest-growing therapeutic areas in China, including anti-infectives, CVD, respiratory system diseases and oncology. The underlying unmet needs and demand for the Target Group's products, as well as the strategic selection of gold-standard and differentiated drugs, has enabled the Target Group to increase its overall revenue from RMB2,073.8 million in 2022 to RMB2,546.0 million in 2024.

In particular, the Target Group's Vancocin is the originator-branded product of vancomycin, which is the gold standard for treating methicillin-resistant *Staphylococcus aureus* ("MRSA") infections, with Vancocin capturing a 57.7%, 61.5%, 65.0% and 78.7% share in vancomycin drug market in China in terms of 2022, 2023, 2024 and the first half of 2025 sales revenue, respectively. Similarly, the Target Group's Ceclor Sachet held a dominant and growing market share of 72%, 77%, 79% and 83% in retail channel sales of cefaclor in China in 2022, 2023, 2024 and the first half of 2025, respectively, according to the Frost & Sullivan Report. Furthermore, the Target Group's FPN is a new-generation ICS nebulizer that is the foundational treatment for asthma and COPD in China. The consistent revenue growth contributed by these products will continue to be major drivers in the Target Group's future financial performance.

In addition, the Target Group has successfully launched new innovative products that are at critical periods of market entrance or commercial ramp-up, with the potential to capture significant shares of vast treatment markets in the future. Vascepa obtained NDA approval from the NMPA for severe HTG in May 2023 and for CRR in June 2024, making it the only TG-lowering drug approved for reducing CV risk in China with substantial market upside. In addition, Mulpleta successfully obtained NMPA approval in June 2023 and was subsequently included in the NRDL in 2024, resulting in a significant increase in gross revenue in 2024. The Target Group also began to provide promotion activities for Jing Zhu Da since its NMPA approval in April 2024, recording revenue of RMB1.9 million in 2024. The future success of these products will also be the major driver for the Target Group's revenue.

Profitability and Product Mix

The Target Group's diverse portfolio of products enables it to ensure strong financial performance and provides it with more flexibility and agility with respect to market and regulatory changes. The Target Group's profitability is affected by its product mix, as the sales volume, selling prices and gross profit margin differ among products in its portfolio.

From 2022 to 2024, the Target Group steadily increased overall gross profits through general increase in sales volume of its commercialized products, while maintaining relatively consistent selling prices. The Target Group's gross profit increased from RMB1,368.4 million in 2022 to RMB1,716.3 million in 2024, and its overall gross profit margin increased from 66.0% in 2022 to 67.4% in 2024. The strong gross margins were largely attributable to, on the one hand, strong sales of major products, and on the other hand, continued operational optimisations, both of which became more pronounced as the Target Group gained control as MAH of these products. For example, the Target Group's sales of Ceclor increased from

FINANCIAL INFORMATION OF THE TARGET GROUP

RMB759.3 million in 2022 to RMB914.7 million in 2024, since becoming MAH in China as the Target Group implements effective sales and marketing efforts and optimised its manufacturing and supply chain management. Similarly, since the Target Group became MAH for FPN in China in 2020, the Target Group increased market penetration and grew its sales, and decreased costs of inventory.

The Target Group's gross profit decreased from RMB924.1 million in the six months ended 30 June 2024 to RMB759.6 million in the six months ended 30 June 2025 in line with its revenue trends. Its overall gross profit margin remained consistently strong with slightly decrease from 67.3% in the six months ended 30 June 2024 to 66.9% in the six months ended 30 June 2025.

Going forward, products such as Vascepa, Mulpleta and Jing Zhu Da, which were approved in the last two years and are still in commercial ramp-up, are expected to have an increasing contribution to revenue. As the Target Group's product portfolio evolves and it continues to develop and commercialise new products, its product mix will continue to change and have an impact on its financial condition.

The Target Group's Cost Structure

The Target Group's cost structure primarily included cost of sales and operating expenses, including selling and distribution expenses, administrative expenses, and research and development expenses. The Target Group's profitability has benefited from, and will continue to be affected by, its control of costs and expenses and its ability to improve operational efficiency. For example, while its cost of sales generally fluctuated in line with product sales volume, in-house localised manufacturing and increasing optimisation of the Target Group's supply chain have enabled increased efficiency and streamlining of its cost structure during the Track Record Period. The Target Group has gradually become the MAH for multiple major products, manufacturing Ceclor and FPN in its own facilities and managing the supply chains for Vancocin and Mulpleta. The Target Group's further plans to localise manufacturing is expected to continue contribute to its optimised cost structure. In addition, in line with the increase in scale, the Target Group experienced economies of scale which lowered per unit fixed manufacturing costs, which will continue to impact financial condition going forward.

The Target Group's ability to effectively manage its operating efficiency will also impact its profitability. During 2022 to 2024, the Target Group endeavored to increase the efficiency and output of its sales and marketing activities, with selling and distribution expenses controlled within the range of 24% to 27% of revenue. Similarly, from 2022 to 2024, the Target Group's administrative expenses were generally approximately 8% of revenue, except in 2022 due to the reversal of certain equity-settled share-based payment expenses. As the Target Group continues to expand its product portfolio, the Target Group expects to continue to incur research and development expenses based on the cadence of drug development. The Target Group's cost structure will continue to evolve as it expands its business and scale in the future.

FINANCIAL INFORMATION OF THE TARGET GROUP

Interest Expense from Product Acquisition Financing

In October 2019, the Target Group completed the acquisition of the marketing authorizations and other assets for Vancocin and Ceclor from Eli Lilly for a combined total consideration of US\$360.5 million and RMB489.6 million pursuant to a series of acquisition arrangements. In May 2020, the Target Group completed the acquisition of the imported drug license (“**IDL license**”) and market authorisation (“**MA**”) for FPN, as well as a technology transfer for FPN production in China from GSK for a total consideration of £52.5 million (equivalent to RMB484.3 million). For more details of the acquisition, see “Business of the Target Group – Acquisition and In-Licensing Arrangements”.

The Target Group partially financed these acquisitions through interest-bearing bank and other borrowings. See “– Indebtedness – Bank and Other Borrowings” and note 28 to the Accountants’ Report of the Target Group set out in Appendix I to this circular for details. The Target Group’s bank and other borrowings less pledged deposits, which primarily consist of pledged deposits for bank loans, amounted to RMB2,083.5 million as at 30 June 2025. The Target Group has been repaying such loans through cash flows generated from the sales of its products, as well as through refinancing measures when needed. During the Track Record Period, the Target Group took various measures to improve its debt profile, including reducing its interest-bearing bank and other borrowings and extending the due dates. For example, in July and August 2024, the Target Group had entered agreements with the lenders of certain borrowings which ought to be due in October and August 2024, respectively. According to the agreements, the due dates of short-term loans had been extended to October and September 2025. In October 2024, the Target Group repaid the loan borrowed from Abax in October 2022 with a required internal rate of return of 17.5% and an outstanding balance of US\$67.5 million (including principal of US\$55 million plus accrued interest) mainly through a new loan of US\$55 million from the borrower of the senior term loan. In connection with this new loan, the Target Group pledged cash equal to the aggregate amount of the outstanding principal and three months’ interest to the new borrower. The net interest rate of the new loan (considering the loan interest rate of 4.5% and the interest income from the pledged cash of 3%) was 1.5%. Leveraging such measures, the Target Group’s interest-bearing bank and other borrowings less pledged deposits, which primarily consist of pledged deposits for bank loans, decreased from RMB2,369.2 million as at 31 December 2022 to RMB2,083.5 million as at 30 June 2025, and the Target Group expects that its finance costs will gradually decrease. The Target Group may continue to incur finance costs in the future, the amount of which will be subject to its ability to repay such loans or negotiate more favourable interest rates.

BASIS OF PRESENTATION AND PREPARATION

The consolidated financial information has been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Target Group’s in the preparation of the consolidated financial information throughout the Track Record Period and are consistently applied throughout the Track Record Period. See note 2.1 to the Accountants’ Report of the Target Group set out in Appendix I to this circular for details.

FINANCIAL INFORMATION OF THE TARGET GROUP

MATERIAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's financial statements requires its management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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. The Target Group's material accounting policies, judgements and estimates are set forth in detail in note 2.3 and note 3 to the Accountants' Report of the Target Group set out in Appendix I to this circular. Set out below are the material accounting policies which the Target Group believes are most important for an understanding of its financial condition and results of operations.

Revenue Recognition

Sale of Pharmaceutical Products

Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the pharmaceutical products. For details of the Target Group's recognition of sales to its distributors, please see "Business of the Target Group – Sales and Marketing – Sales and Distributorship – Management of Distributors". Some contracts for the sale of industrial products provide customers with sales rebates, giving rise to variable consideration.

The Target Group estimates variable consideration to be included in the transaction price for the sale of pharmaceutical products with variable rebates.

Sales rebates may be provided to certain customers according to terms specified in the contract. Rebates are offset against amounts payable by the customer. The Target Group applied a statistical model for estimating expected sales rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than single-volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised. A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Target Group ultimately expects it will have to return to the customer.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group regularly updates its assessment of expected sales rebates and the refund liabilities are adjusted accordingly. Estimates of expected sales rebates are sensitive to changes in circumstances and its past experience regarding returns and rebate entitlements may not be representative of customers' rebate entitlements in the future. As at 31 December 2022, 2023 and 2024, and 30 June 2025, the amounts recognised as refund liabilities were RMB37.1 million, RMB31.8 million, RMB50.1 million and RMB26.3 million for the expected sales rebates, respectively.

Service Income

Service income is recognised at a point in time after the services have been provided by the Target Group.

Provision for Expected Credit Losses on Trade Receivables

The Target Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables.

The provision matrix is initially based on customers' credit rating and the Target Group's historical observed default rates. The Target Group will calibrate the matrix to adjust customers' credit rating and the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the pharmaceutical sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates and the customers' credit rating, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical observed default rates 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 Target Group's trade receivables cost is disclosed in note 21 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

Tax-related Accounts

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 18 to the Accountants' Report of the Target Group set out in Appendix I to this circular. The Target Group's operations are subject to different tax jurisdictions and its management is required to make assessment and evaluation on the corresponding tax impacts.

FINANCIAL INFORMATION OF THE TARGET GROUP

Share-based Payment

The Target Group has engaged an independent appraiser to assist in determining the fair value of share-based payments. The determination of fair value was made after considering a number of parameters including but not limited to, the dividend yield, expected volatility, risk-free interest rate, expected life of options and the weighted average share price. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Leases – Estimating the Incremental Borrowing Rate

The Target Group cannot readily determine the interest rate implicit in a lease, and therefore, the Target Group uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Target Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Target Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Impairment of Goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires it to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2022, 2023 and 2024, and 30 June 2025 remained the same at RMB112.1 million. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained. Further details are given in note 16 to the Accountants’ Report of the Target Group set out in Appendix I to this circular.

FINANCIAL INFORMATION OF THE TARGET GROUP

The recoverable amount of the Ceclor manufacturing and sales cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections were 19.29%, 18.93%, 19.24% and 19.35% for 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, and the growth rates applied to cash flows beyond the five-year period were 2.3%, 2.3%, 2.0% and 2.0% for 31 December 2022, 2023 and 2024, and 30 June 2025, which were the same as the long term average growth rate of the pharmaceutical products industry.

Assumptions were used in the value-in-use calculation of the Ceclor manufacturing and sales cash-generating unit for 31 December 2022, 2023 and 2024, and 30 June 2025, including budgeted gross margins and discount rates. The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. The discount rates used are before tax and reflect specific risks relating to the relevant units. The values assigned to the key assumptions on market development of Ceclor products and discount rates are consistent with external information sources.

Based on the estimate of the Target Directors, as at 31 December 2022, 2023 and 2024, and 30 June 2025, the recoverable amount exceeded the carrying amount by RMB475.6 million, RMB491.4 million, RMB555.6 million, RMB594.6 million, respectively. As at 31 December 2022, 2023 and 2024, and 30 June 2025, an increase in the discount rate from 19.29% to 29.78%, from 18.93% to 46.77%, 19.24% to 57.03%, and from 19.35% to 61.71%, respectively, or a decrease in budgeted gross margins for each forecast period by 16%, 21%, 18% and 23%, respectively, would cause the carrying amount of the cash-generating unit to exceed its recoverable amount. In the opinion of the Target Directors, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis 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.

Impairment of Non-financial Assets (Other Than Goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and 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

FINANCIAL INFORMATION OF THE TARGET GROUP

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, the Target Group's 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. Further details are given in note 17 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

Useful Lives of Intangible Assets

The Target Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. The Target Group's management will increase the amortisation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

SEGMENT INFORMATION

For management purposes, the Target Group's business is organised in two reporting operating segments, namely, (i) manufacturing and distribution of pharmaceutical products, and (ii) research and development of new drugs. The Target Group's management monitors the results of its operating segments separately for the purpose of making decisions on resource allocation and performance assessment. All of the Target Group's revenue generated during the Track Record Period were recorded in its manufacturing and distribution segment. For details of the Target Group's operating segments, see note 4 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of the Target Group's consolidated statements of profit or loss and other comprehensive income for the periods indicated. The Target Group's historical results presented below are not necessarily indicative of the results that may be expected for any future period.

FINANCIAL INFORMATION OF THE TARGET GROUP

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Revenue	2,073,754	100.0%	2,303,788	100.0%	2,546,044	100.0%	1,373,322	100.0%	1,135,542	100.0%
Cost of sales	(705,320)	(34.0)%	(798,095)	(34.6)%	(829,759)	(32.6)%	(449,195)	(32.7)%	(375,925)	(33.1)%
Gross profit	1,368,434	66.0%	1,505,693	65.4%	1,716,285	67.4%	924,127	67.3%	759,617	66.9%
Other income and gains	3,724	0.2%	10,813	0.5%	105,292	4.1%	26,381	1.9%	13,351	1.2%
Selling and distribution expenses	(545,653)	(26.3)%	(546,897)	(23.7)%	(659,572)	(25.9)%	(314,718)	(22.9)%	(236,758)	(20.8)%
Administrative expenses	(67,989)	(3.3)%	(182,196)	(7.9)%	(205,995)	(8.1)%	(79,763)	(5.8)%	(126,271)	(11.1)%
Research and development expenses	(95,320)	(4.6)%	(124,974)	(5.4)%	(121,866)	(4.8)%	(58,495)	(4.3)%	(72,713)	(6.4)%
Amortisation of distribution rights, medicine licenses and trademark	(25,609)	(1.2)%	(36,459)	(1.6)%	(71,343)	(2.8)%	(32,330)	(2.4)%	(37,000)	(3.3)%
Reversal of impairment losses/(impairment losses) on financial assets, net	311	0.0%	(32)	0.0%	671	0.0%	179	0.0%	(17)	(0.0)%
Other expenses	(19,365)	(0.9)%	(18,695)	(0.8)%	(26,358)	(1.0)%	(12,749)	(0.9)%	(29,076)	(2.6)%
Finance costs, net	(293,255)	(14.2)%	(276,234)	(12.1)%	(254,632)	(10.0)%	(139,497)	(10.2)%	(93,975)	(8.3)%
Profit before tax	325,278	15.7%	331,019	14.4%	482,482	19.0%	313,135	22.8%	177,158	15.6%
Income tax expense	(18,933)	(0.9)%	(23,000)	(1.0)%	(94,596)	(3.7)%	(41,122)	(3.0)%	(62,592)	(5.5)%
Profit for the year/period	306,345	14.8%	308,019	13.4%	387,886	15.2%	272,013	19.8%	114,566	10.1%
Attributable to:										
Owners of the parent	306,345	14.8%	308,019	13.4%	387,886	15.2%	272,013	19.8%	114,566	10.1%
Non-controlling interests	–	–	–	–	–	–	–	–	–	–
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:										
Exchange differences on translation of foreign operations	95,915	4.6%	17,234	0.7%	6,404	0.3%	862	0.1%	699	0.1%
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	95,915	4.6%	17,234	0.7%	6,404	0.3%	862	0.1%	699	0.1%

FINANCIAL INFORMATION OF THE TARGET GROUP

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:										
Exchange differences on translation from functional currency to presentation currency	7,022	0.3%	(2,864)	(0.1)%	17,103	0.7%	7,242	0.5%	(2,725)	(0.2)%
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	7,022	0.3%	(2,864)	(0.1)%	17,103	0.7%	7,242	0.5%	(2,725)	(0.2)%
Other comprehensive income for the year/period, net of tax	102,937	5.0%	14,370	0.6%	23,507	0.9%	8,104	0.6%	(2,026)	(0.2)%
Total comprehensive income for the year/period	409,282	19.7%	332,389	14.4%	411,393	16.2%	280,117	20.4%	112,540	9.9%
Attributable to:										
Owners of the parent	409,282	19.7%	332,389	14.4%	411,393	16.2%	280,117	20.4%	112,540	9.9%
Non-controlling interests	—	—	—	—	—	—	—	—	—	—

Revenue

The Target Group's revenue was RMB2,073.8 million, RMB2,303.8 million, RMB2,546.0 million, RMB1,373.3 million and RMB1,135.5 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. During the Track Record Period, the Target Group has generated only minimal revenue from the United States.

The Target Group's revenue is stated on a net basis, i.e. gross revenue net of sales rebates and sales tax. The Target Group generates revenue from sale of pharmaceutical products, and to a lesser extent, from rendering of promotion services.

In line with industry norm, the Target Group offers sales rebates to distributors. Sales rebates are commercial terms negotiated based on various factors, including (i) the market conditions, size, maturity and pricing for the relevant pharmaceutical product, and (ii) the

FINANCIAL INFORMATION OF THE TARGET GROUP

Target Group's relationship with and bargaining power relative to distributors. The Target Group records a general provision of sales rebates in its consolidated statements of profit or loss and other comprehensive income based on management estimation of the actual rebates that will be settled between the Target Group and its distributors. Typically, the Target Group offered sales rebates to distributors during the Track Record Period in the form of (i) volume discounts, which were generally not a fixed ratio in the distribution agreement and negotiated case-by-case, and (ii) early payment discounts of 1.5% when distributors settle payments before the end of the credit period due date granted to them.

For details of consideration the Target Group uses to estimate the amount of sales rebates for sales revenue recognised during a year or a period, see note 3 to the Accountants' Report of the Target Group in Appendix I to this circular.

Revenue by Business

During the Track Record Period, the Target Group primarily generated revenue from sales of pharmaceutical products. For a description of its products, see "Business of the Target Group – Product Portfolio of the Target Group". The Target Group also recorded service income, representing revenue from providing promotion activities for Jing Zhu Da and providing business support services for GB491 and GB268. The Target Group entered into a sublicense agreement with respect to Jing Zhu Da with Taizhou EOC in May 2023, and started to provide promotion activities for Jing Zhu Da in the first half of 2024 instead of conducting product sales, as a result of the two-invoice system. For details of the sublicense agreement with respect to Jing Zhu Da, see "Business of the Target Group – Acquisition and In-Licensing Arrangements – In-licensing Arrangements – Jing Zhu Da". The Group entered into a series of cooperation agreements with the Target Group in arm's length basis regarding GB491 and GB268, respectively, in 2025. According to these cooperation agreements, the Group designated and appointed the Target Group as the domestic responsible person for GB491 in the PRC and the exclusive provider of the agency services in relation to the application of inclusion of GB491 into the NRDL and the post-inclusion implementation work in the PRC, and the Target Group shall provide business support service to the Group for research and development, production, import, distribution, tendering and subsequent localized production and marketing of GB491 within the PRC. In addition, the Target Group shall provide business support service to the Group for the research and development and production of GB268. For details, see "Business of the Target Group – Robust in-house discovered pipeline of assets with broad potential in oncology and autoimmune diseases".

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth a breakdown of the Target Group's revenue by business for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
<i>RMB'000 (except percentages)</i>										
<i>(Unaudited)</i>										
Sale of pharmaceutical products	2,073,754	100.0%	2,303,788	100.0%	2,544,098	99.9%	1,371,376	99.9%	1,112,948	98.0%
Service income	—	—	—	—	1,946	0.1%	1,946	0.1%	22,594	2.0%
Total	2,073,754	100.0%	2,303,788	100.0%	2,546,044	100.0%	1,373,322	100.0%	1,135,542	100.0%

Revenue by Product Type

The Target Group presents revenue by product in this circular on a gross basis, which is calculated based on revenue before deduction of sales rebates and sales tax. Sales rebates and sales tax are not allocated to each product, and therefore the breakdown of revenue by product does not take into account such items. The Target Group believes that a discussion and analysis of the Target Group's financial performance by product on a gross basis is meaningful in assessing the Target Group's business. The following table sets forth the breakdown of the Target Group's gross revenue by products for the periods indicated, and a reconciliation of gross revenue to net revenue:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
<i>RMB'000 (except percentages)</i>										
<i>(Unaudited)</i>										
Originator-branded products										
Vancocin	1,007,081	48.6%	1,068,828	46.4%	1,262,893	49.6%	711,588	51.8%	716,719	63.1%
Ceclor	759,313	36.6%	835,711	36.3%	914,714	35.9%	358,283	26.1%	264,347	23.3%
FPN	195,336	9.4%	287,365	12.5%	215,466	8.5%	198,459	14.5%	46,837	4.1%
Subtotal of originator-branded products	1,961,730	94.6%	2,191,904	95.1%	2,393,073	94.0%	1,268,330	92.4%	1,027,903	90.5%
Innovative products										
Vascepa	16,599	0.8%	61,377	2.7%	77,495	3.0%	50,165	3.7%	72,259	6.4%
Mulpleta	—	—	10,764	0.5%	237,320	9.3%	130,983	9.5%	3,797	0.3%
Subtotal of innovative products	16,599	0.8%	72,141	3.2%	314,815	12.4%	181,148	13.2%	76,056	6.7%

FINANCIAL INFORMATION OF THE TARGET GROUP

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Other products ⁽¹⁾	68,118	3.3%	67,318	2.9%	75,306	3.0%	32,990	2.4%	38,939	3.4%
Discontinued products ⁽²⁾	140,676	6.8%	151,174	6.6%	29,843	1.2%	29,844	2.2%	–	–
Service income ⁽³⁾	–	–	–	–	1,946	0.1%	1,946	0.1%	22,594	2.0%
Gross revenue	2,187,123	105.5%	2,482,537	107.8%	2,814,983	110.6%	1,514,258	110.3%	1,165,492	102.6%
Less:										
Sales rebates	(104,791)	(5.1)%	(168,744)	(7.3)%	(256,575)	(10.1)%	(136,859)	(10.0)%	(26,262)	(2.3)%
Sales tax	(8,578)	(0.4)%	(10,005)	(0.5)%	(12,364)	(0.5)%	(4,077)	(0.3)%	(3,688)	(0.3)%
Revenue	2,073,754	100.0%	2,303,788	100.0%	2,546,044	100.0%	1,373,322	100.0%	1,135,542	100.0%

(1) Represent Recormon.

(2) Represents products that the Target Group had discontinued as at 31 December 2024, including Zinacef, Fortum and Aminoplasmal Hepa.

(3) Represents (a) revenue from promotion activities for Jing Zhu Da since the first half of 2024. For details, see “Business of the Target Group – Acquisition and In-Licensing Arrangements – In-licensing Arrangements – Jing Zhu Da” and “Financial Information of the Target Group – Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Revenue”, and (b) revenue from business support services for GB491 and GB268 since the first half of 2025. For details, see “Business of the Target Group – Robust in-house discovered pipeline of potential assets with broad potential in oncology and autoimmune diseases”.

During the Track Record Period, the Target Group primarily generated revenue from its originator-branded products. Gross revenue from these products in aggregate amounted to RMB1,961.7 million, RMB2,191.9 million, RMB2,393.1 million, RMB1,268.3 million and RMB1,027.9 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for 89.7%, 88.3%, 85.0%, 83.8% and 88.2% of the Target Group’s total gross revenue for the same respective periods.

During the Track Record Period, the Target Group also generated revenue from its innovative products. In December 2020, the Target Group entered into an exclusive distribution agreement with a distributor for pilot sales of Vascepa in Hainan Boao Pilot Zone according to the PRC laws and regulations in response to urgent clinical needs for imported drugs. The Target Group officially launched commercial sales of Vascepa in September 2023 after it received NDA approval in May 2023. Accordingly, the Target Group generated gross revenue from Vascepa of RMB16.6 million, RMB61.4 million, RMB77.5 million, RMB50.2 million and RMB72.3 million for the years ended 31 December 2022, 2023 and 2024, and the six months

FINANCIAL INFORMATION OF THE TARGET GROUP

ended 30 June 2024 and 2025, respectively. The Target Group also launched commercial sales of Mulpleta after it received NDA approval in June 2023, and generated gross revenue of RMB10.8 million in 2023. Mulpleta was then included in the NRDL in January 2024, and as a result, the Target Group's gross revenue from Mulpleta increased significantly to RMB237.3 million in 2024. In addition, the Target Group's gross revenue from Mulpleta decreased significantly from RMB131.0 million in the six months ended 30 June 2024 to RMB3.8 million in the six months ended 30 June 2025, primarily due to the temporary impact of negative marketing activities by competing products in lower-tier cities in China. We plan to adjust the sales strategy for Mulpleta by focusing more on key hospitals in leading cities to recover from the temporary negative impact caused by these competing products.

The Target Group also generated revenue from other products, such as Recormon and Jing Zhu Da. The Target Group has marketed Recormon in China on an exclusive basis since 2018. The Target Group commenced commercial sales for Jing Zhu Da in June 2024. For details of these products, see "Business of the Target Group – Product Portfolio of the Target Group – Other Products". The Target Group did not generate revenue from Jing Zhu Da in the six months ended 30 June 2025, primarily due to the slow turnover of Jing Zhu Da sold to distributors for Jing Zhu Da in the second half of 2024 before its inclusion in the NRDL. Jing Zhu Da has passed the preliminary review for application for the inclusion in the NRDL in August 2025. The inclusion of a drug in the NRDL can be a strong growth driver for its sales, according to the Frost & Sullivan Report. Gross revenue generated from these products in aggregate amounted to RMB68.1 million, RMB67.3 million, RMB77.3 million, RMB34.9 million and RMB61.5 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for 3.1%, 2.7%, 2.7%, 2.3% and 5.3% of the Target Group's total gross revenue for the same respective periods.

During the Track Record Period, the Target Group also generated revenue from discontinued products, including Zinacef, Fortum and Aminoplasmal Hepa. For details of these products, see "Business of the Target Group – Product Portfolio of the Target Group – Discontinued Products". Gross revenue generated from these discontinued products in aggregate amounted to RMB140.7 million, RMB151.2 million, RMB29.8 million, RMB29.8 million and nil for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, accounting for 6.4%, 6.1%, 1.1%, 2.0% and nil of the Target Group's total gross revenue for the same respective periods.

During the Track Record Period, the Target Group recognised revenue from sales to the Target Group's distributors when control of products was transferred to them. For details, see "Business of the Target Group – Sales and Marketing – Sales and Distributorship – Management of Distributors".

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth the average selling prices (“ASP”) or price ranges (as the case may be) and sales volume of each of the Target Group’s originator-branded products during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	ASP/Price range (in RMB) ⁽¹⁾	Volume ⁽²⁾	ASP/Price range (in RMB) ⁽¹⁾	Volume ⁽²⁾	ASP/Price range (in RMB) ⁽¹⁾	Volume ⁽²⁾	ASP/Price range (in RMB) ⁽¹⁾	Volume ⁽²⁾	ASP/Price range (in RMB) ⁽¹⁾	Volume ⁽²⁾
Vancocin	85	11,903	84	12,705	84	15,014	84	8,466	83	8,646
Ceclor										
<i>Ceclor Sachet⁽³⁾</i>	17~26	29,331	18~26	30,119	18~26	30,079	18~26	9,970	18~26	3,622
<i>Ceclor Capsules⁽³⁾</i>	24~47	1,264	26~50	1,683	26~50	2,180	26~50	1,125	26~50	1,263
<i>Ceclor Sustained Release Tablets⁽³⁾</i>	27~54	5,998	28~54	6,128	28~54	8,001	28~54	3,866	28~54	4,423
Total ⁽³⁾	17~54	36,593	18~54	37,930	18~54	40,261	18~54	14,961	18~54	9,309
FPN	9	21,914	9	30,595	9	24,371	9	21,050	8	5,618

(1) The ASP or price range (as the case may be) set out above is calculated based on gross revenue before deduction of sales rebates and sales tax.

(2) Sales volume refers to doses in thousands.

(3) Reflects the price ranges and total sales volume of different specifications of Ceclor Sachet, Ceclor Capsules or Ceclor Sustained Release Tablets.

The Target Group’s sales volume of Vancocin increased from 11.9 million doses in 2022 to 12.7 million doses in 2023, primarily as a result of a gradual recovery from the impact of COVID-19 pandemic. Vancocin is primarily used in the hospitals’ ICU, hematology, neurosurgery, orthopedics, cardiothoracic surgery, respiratory and infectious disease departments, which experienced operational limitations during the pandemic, thus constraining product sales. During the COVID-19 pandemic, because hospital operations, especially these departments, were limited by the global pandemic of COVID-19, sales volume of Vancocin was affected in 2022. The supply for Vancocin was also limited by the production capacity of overseas CMOs to a lesser extent. For example, the vials used in the production of Vancocin are also utilised in the manufacturing of COVID-19 vaccines. As a result, the increased demand for such packaging materials, driven by the high-volume production of COVID-19 vaccines, has led to a longer lead time for their supply to the Target Group in 2022 and 2023. However, the Target Group did not experience material difficulty in securing the requisite supply of Vancocin from overseas CMOs during the Track Record Period, as it has implemented measures to ensure an adequate and timely supply from overseas CMOs. The Target Group’s sales volume of Vancocin further increased to 15.0 million doses in 2024, in line with strong market demand and the Target Group’s ability to meet such demand. Moreover, the Target Group has initiated the localisation of manufacturing for Vancocin in the second half of 2024, which will bring more control over drug supply. It is expected that the localisation of manufacturing for Vancocin will be completed by the end of 2026. The Target Group’s sales volume of Vancocin remained relatively stable at 8.5 million doses in the six months ended 30 June 2024 and 8.6 million doses in the six months ended 30 June 2025. The ASP of Vancocin remained stable during the Track Record Period.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's sales volume of Ceclor continuously increased from 36.6 million doses in 2022 to 40.3 million doses in 2024, primarily because the Target Group has strategically focused on expanding out-of-hospital retail sales channels of Ceclor. The Target Group's sales volume of Ceclor decreased from 15.0 million doses in the six months ended 30 June 2024 to 9.3 million doses in the six months ended 30 June 2025, primarily because Ceclor retail market was impacted by the slow down of the anti-bacterial drug market in China in the first half of 2025 caused by factors such as the inclusion of more anti-bacterial drugs in centralised procurement, which reduced their price and compressed the market, and the normalisation of anti-bacterial drug usage after the COVID-19 pandemic, which had previously been at a high level. Ceclor is an earlier-generation cephalosporin antibiotic that has faced intensified competition from numerous generic alternatives under centralized procurement, resulting in sales pressure. During the pandemic, antibiotics were used to be frequently prescribed to COVID-19 patients to preemptively treat potential secondary bacterial infections, especially when diagnostic testing was limited. Moreover, the Target Group has adjusted its retail sales strategies, under which it prioritized collaboration with national and regional chain pharmacy customers and reduced business with smaller wholesalers, resulting in a decline greater than the industry trend. However, with the gradual increase in innovative anti-bacterial drugs and the slow rise in the prevalence of related indications, the Target Group's retail business continued to grow in the second half of the year, in line with its strategic plan. The ASP of Ceclor remained stable during the Track Record Period.

The Target Group's sales volume of FPN increased from 21.9 million doses in 2022 to 30.6 million doses in 2023. The increase was primarily due to higher market penetration as a result of the successful marketing and promotion and expansion of the Target Group's sales team after it became the MAH for FPN in China in May 2020. In particular, the Target Group successfully introduced FPN to more hospitals and pharmacies in different provinces and cities, and sales volume of FPN increased accordingly. The Target Group's sales volume of FPN decreased to 24.4 million doses in 2024, and decreased from 21.1 million doses in the six months ended 30 June 2024 to 5.6 million doses in the six months ended 30 June 2025, primarily because FPN became domestically manufactured in 2024 and the Target Group has been undergoing an update of market access of domestically manufactured FPN in China. During this period, the Target Group is required to update the tendering process and implement the new distribution arrangements where applicable. The Target Group expects to gradually recover from the update of market access in 2026. While the pricing policy as set by authorities in different provinces in China varies, the cost of manufacturing FPN is expected to decrease upon domestic manufacturing. In January 2024, the Target Group obtained manufacturing approval for FPN at its nebulizer manufacturing facility in Suzhou, through which the Target Group lowered cost of manufacturing FPN by nearly 40%. The ASP of FPN remained stable during the Track Record Period.

FINANCIAL INFORMATION OF THE TARGET GROUP

Cost of Sales

The Target Group's cost of sales from inventories sold primarily represents costs for raw material procurement, manufacturing-related labour, depreciation and amortisation and other overhead costs, as well as costs of finished products the Target Group procured from its pharmaceutical company suppliers. The Target Group's cost of sales also included a minimal amount of costs relating to the promotion services it provided, which were primarily labour costs for operational personnel that provided such services. The following table sets forth the breakdown of the Target Group's cost of sales by nature for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Cost of inventories sold	705,320	100.0%	798,095	100.0%	822,744	99.2%	449,047	100.0%	347,652	92.5%
Cost of services provided	—	—	—	—	7,015	0.8%	148	0.0%	28,273	7.5%
Total	705,320	100.0%	798,095	100.0%	829,759	100.0%	449,195	100.0%	375,925	100.0%

The following table sets forth a breakdown of the Target Group's cost of inventories sold by nature for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Raw materials	243,318	34.5%	265,527	33.2%	300,510	36.5%	149,285	33.2%	139,228	40.0%
Manufacturing overhead	240,430	34.1%	254,230	31.9%	253,315	30.8%	132,410	29.5%	131,427	37.8%
Distributed products	135,627	19.2%	188,788	23.7%	175,229	21.3%	123,272	27.5%	31,181	9.0%
Amortisation of know-how	71,674	10.2%	74,840	9.4%	77,470	9.4%	37,838	8.4%	41,075	11.8%
Labour	14,271	2.0%	14,710	1.8%	16,220	2.0%	6,242	1.4%	4,741	1.4%
Total cost of inventories sold	705,320	100.0%	798,095	100.0%	822,744	100.0%	449,047	100.0%	347,652	100.0%

FINANCIAL INFORMATION OF THE TARGET GROUP

Gross Profit and Gross Profit Margin

Gross Profit and Gross Profit Margin by Product Type

Similar to revenue by product, the Target Group presents gross profit and gross profit margin by product type in this circular on a gross basis, which are calculated based on revenue before deduction of sales rebates and sales tax. Sales rebates and sales tax are not allocated to each product, and therefore the breakdown of gross profit and calculation of gross profit margin by product type does not take into account such items. The Target Group believes that a discussion and analysis of its financial performance by product type on a gross basis is meaningful in assessing its business. The following table sets forth the Target Group's gross profit and gross profit margin by products type for the periods indicated, and a reconciliation of gross profit and gross profit margin from a gross basis to a net basis:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin
<i>RMB'000 (except percentages)</i>										
<i>(Unaudited)</i>										
Originator-branded products	1,333,963	68.0%	1,508,831	68.8%	1,693,974	70.8%	891,014	70.3%	711,432	69.2%
Innovative products	14,991	90.3%	59,623	82.6%	229,541	72.9%	134,880	74.5%	57,048	75.0%
Other products	47,991	70.5%	47,432	70.5%	47,459	61.4%	24,918	71.3%	21,087	34.3%
Discontinued products										
Zinacef	81,427	62.2%	68,557	45.3%	14,250	47.7%	14,251	47.8%	–	–
Fortum	2,368	34.0%	–	–	–	–	–	–	–	–
Hepa	1,064	36.7%	–	–	–	–	–	–	–	–
Subtotal of discontinued products	84,859	60.3%	68,557	45.3%	14,250	47.7%	14,251	47.8%	–	–
Less:										
Sales rebates	(104,791)	N/A	(168,744)	N/A	(256,575)	N/A	(136,859)	N/A	(26,262)	N/A
Sales tax	(8,578)	N/A	(10,005)	N/A	(12,364)	N/A	(4,077)	N/A	(3,688)	N/A
Total gross profit/Overall gross profit margin	1,368,434	66.0%	1,505,693	65.4%	1,716,285	67.4%	924,127	67.3%	759,617	66.9%

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's gross profit amounted to RMB1,368.4 million, RMB1,505.7 million, RMB1,716.3 million, RMB924.1 million and RMB759.6 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. The Target Group's gross profit margin was 66.0%, 65.4%, 67.4%, 67.3% and 66.9% for the same periods, respectively.

Other Income and Gains

The Target Group's other income primarily consist of (i) bank interest income, and (ii) various government grants it recorded from local PRC governments. The Target Group's other gains primarily include (i) compensation gain. The Target Group recorded compensation gain of RMB0.8 million in 2023, the majority of which represent the gain arising from liquidated damages paid to the Target Group by distributors due to the failure to meet the sales performance targets. The Target Group recorded compensation gain of RMB84.7 million in 2024, representing the gain arising from the amounts received by the Target Group by collaboration partners of their discontinued products pursuant to the agreement and mutual negotiation, and (ii) gain on disposal of items of property, plant and equipment. The following table sets forth the breakdown of the Target Group's other income and gains for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000			(Unaudited)	
Other income					
Interest income	2,040	8,070	13,747	5,528	10,072
Government grants	1,539	1,929	6,857	4,776	3,210
Others	—	—	—	175	69
Subtotal	3,579	9,999	20,604	10,479	13,351
Other gains					
Compensation gain	—	814	84,688	15,902	—
Gain on disposal of items of property, plant and equipment	145	—	—	—	—
Subtotal	145	814	84,688	15,902	—
Total	3,724	10,813	105,292	26,381	13,351

FINANCIAL INFORMATION OF THE TARGET GROUP

Selling and Distribution Expenses

The Target Group's selling and distribution expenses primarily consist of staff costs for its sales and marketing personnel and conference expenses for medical conferences that it hosts or attends in its academic promotion efforts. In addition, the Target Group's selling and distribution expenses also include (i) business development, travel and communication costs, and (ii) taxes relating to cross-border service charges. The following table sets forth the breakdown of the Target Group's selling and distribution expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Staff costs	321,645	58.9%	324,268	59.3%	371,907	56.4%	182,412	58.0%	146,881	62.0%
Conference expenses	140,766	25.8%	166,114	30.4%	222,910	33.8%	104,414	33.2%	64,031	27.0%
Business development, travel and communication costs	21,793	4.0%	27,454	5.0%	30,319	4.6%	12,997	4.1%	13,955	6.0%
Taxes relating to cross-border service charges	20,043	3.7%	16,548	3.0%	20,745	3.1%	8,846	2.8%	5,717	2.4%
Others ⁽¹⁾	41,406	7.6%	12,513	2.3%	13,691	2.1%	6,049	1.9%	6,174	2.6%
Total	545,653	100.0%	546,897	100.0%	659,572	100.0%	314,718	100.0%	236,758	100.0%

- (1) Others primarily include depreciation and amortisation of right-of-use assets and fixed assets used for its selling and distribution activities as well as marketing service fees to third parties for product promotion and logistics fees.

FINANCIAL INFORMATION OF THE TARGET GROUP

Administrative Expenses

The Target Group's administrative expenses primarily consist of staff costs and equity-settled share-based payment expenses in relation to its share incentive plans for its management and administrative personnel, as well as professional service fees for professional third parties the Target Group engaged for a series of product acquisition transactions and relevant financing transactions. In addition, the Target Group's administrative expenses also include (i) depreciation and amortisation of intangible assets, right-of-use assets and fixed assets used for its administrative activities, and (ii) rent, business development, internal conference and travel and communication expenses. The following table sets forth the breakdown of the Target Group's administrative expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
	RMB'000 (except percentages)									
	(Unaudited)									
Staff costs	59,602	87.6%	74,183	40.8%	74,931	36.4%	39,443	49.5%	47,266	37.4%
Professional service fees	31,115	45.8%	49,982	27.4%	69,335	33.7%	15,629	19.6%	14,690	11.6%
Equity-settled share-based payment expenses	(39,589)	(58.2)%	33,570	18.4%	33,294	16.2%	15,291	19.2%	32,832	26.0%
Depreciation and amortisation	11,501	16.9%	11,233	6.2%	13,719	6.7%	6,881	8.6%	23,456	18.6%
Rent, business development, internal conference and travel and communication expenses	2,730	4.0%	11,554	6.3%	12,701	6.2%	1,898	2.4%	5,209	4.1%
Others ⁽¹⁾	2,630	3.9%	1,674	0.9%	2,015	1.0%	621	0.8%	2,818	2.2%
Total	67,989	100.0%	182,196	100.0%	205,995	100.0%	79,763	100.0%	126,271	100.0%

(1) Others primarily represent fees relating to bank charges, IT services, insurance and other miscellaneous items.

The Target Group's administrative expenses increased from RMB68.0 million for the year ended 31 December 2022 to RMB182.2 million for the year ended 31 December 2023, primarily due to the increase in staff costs and the change from a reversal of equity-settled share-based payment expenses to recognition of these expenses, as the Target Group had more administrative personnel, and due to its increased professional service fees. The Target Group's administrative expenses further increased to RMB206.0 million for the year ended 31 December 2024, primarily due to the increase in professional service fees. The Target Group's administrative expenses increased from RMB79.8 million in the six months ended 30 June 2024 to RMB126.3 million in the six months ended 30 June 2025, primarily due to an increase in equity-settled share-based payment expenses as a result of a grant of stock options to the employees by the Target Group at the end of 2024, and an increase in depreciation and amortisation as a result of reclassification of unused capacity as administrative expenses for the purpose of production adjustment.

FINANCIAL INFORMATION OF THE TARGET GROUP

Research and Development Expenses

The Target Group's research and development expenses primarily consist of staff costs for its R&D personnel, depreciation and amortisation, and third-party contracting costs incurred in relation to products for which the Target Group is conducting, or planning to conduct, clinical development and registration. The Target Group's research and development expenses amounted to RMB95.3 million, RMB125.0 million, RMB121.9 million, RMB58.5 million and RMB72.7 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively, and accounted for 13.4%, 14.6%, 12.3%, 12.9% and 16.7% of the aggregate of the Target Group's selling and distribution expenses, administrative expenses and research and development expenses in these respective periods.

Amortisation of Distribution Rights, Medicine Licenses and Trademark

The Target Group's amortisation of distribution rights, medicine licenses and trademark fluctuated during the Track Record Period, primarily as a result of the fluctuation in balance of distribution rights, medicine licenses and trademark and the relevant amortisation tests. The Target Group's amortisation of distribution rights, medicine licenses and trademark amounted to RMB25.6 million, RMB36.5 million, and RMB71.3 million, RMB32.3 million and RMB37.0 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. For details of the balance of distribution rights, medicine licenses and trademark as at the end of each period during the Track Record Period, see “– Description of Certain Consolidated Statement of Financial Position Items – Other Intangible Assets”.

Reversal of Impairment Losses/Impairment Losses on Financial Assets, Net

The Target Group's net reversal of impairment losses/impairment losses on financial assets primarily represents impairment provisions the Target Group recorded for trade receivables as well as prepayments, other receivables and other assets. The Target Group's net reversal of impairment losses/impairment losses on financial assets fluctuated during the Track Record Period, primarily as a result of the fluctuation in balance of trade receivables. The Target Group recorded net reversal of impairment losses on financial assets of RMB0.3 million and RMB0.7 million for the year ended 31 December 2022 and 2024, respectively. The Target Group recorded net impairment losses on financial assets of RMB32,000 and RMB17,000 in 2023 and the six months ended 30 June 2025, respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

Other Expenses

The Target Group's other expenses primarily included:

- *Foreign exchange losses, net*, primarily due to exchange rate fluctuations between the Renminbi and the US dollar, Euro and other foreign currencies. In 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, the Target Group recorded net foreign exchange losses of RMB3.1 million, RMB3.1 million, RMB19.9 million, RMB11.4 million and RMB20.9 million, respectively, primarily attributable to the fluctuation of the exchange rate between US\$ and RMB during the Track Record Period. To minimize the impact of currency fluctuations, the Target Group has implemented the following measures: (i) conducting the majority of its payments and receipts in the corresponding functional currencies, significantly reducing the effects of exchange rate fluctuations; (ii) regularly evaluates its exposure to foreign currency-denominated accounts payable and collaborates with multiple banks to select optimal exchange rates, conducting exchange operations in advance to effectively reduce exchange costs; and (iii) periodically conducts internal reviews to calculate the potential impact of exchange rate fluctuations to ensure financial stability.
- *Impairment of non-current assets*, which primarily represents impairment in relation to the prepayment for the exclusive drug rights and other non-current assets. In 2023, the Target Group recorded impairment of non-current assets of RMB11.8 million in relation to the prepayment for the exclusive drug rights of a pipeline product in-licensed in 2014 which the Target Group may no longer develop. In 2024, the Target Group recorded impairment of non-current assets of RMB2.3 million, primarily in relation to certain obsolete equipments. In 2022 and the six months ended 30 June 2024 and 2025, the Target Group did not record impairment of non-current assets.
- *Impairment of inventory*, which primarily represents impairment of finished products in the Target Group's inventory. In 2022, the RMB14.0 million of impairment primarily related to certain unsold Zinacef and Recormon products that were expected to expire in inventory in the near future. In 2023, the RMB2.9 million of impairment primarily related to certain unsold Zinacef products that are expected to expire in inventory in the near future. In 2024 and the six months ended 30 June 2025, the Target Group recorded relatively low impairment of inventory of RMB1.6 million and RMB0.5 million, respectively, primarily because the Target Group enhanced its inventory management.
- *Disposal of intangible assets*, which primarily represents the exclusive distribution rights in relation to Mulpleta in China, which was recorded as a disposal upon the Target Group's acquisition of the know-how license and medical rights of Mulpleta, partially settled by the exchange of the Target Group's existing drug distribution rights. For details, see "Business of the Target Group – Acquisition and In-licensing Arrangements – Acquisition Arrangements – Mulpleta".

FINANCIAL INFORMATION OF THE TARGET GROUP

- *Loss on termination of a lease*, which primarily represents loss from the termination of the Target Group's lease of a manufacturing facility.

The following table sets forth the breakdown of the Target Group's other expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>			<i>(Unaudited)</i>	
Foreign exchange losses, net	3,081	3,083	19,898	11,388	20,869
Impairment of non-current assets	–	11,835	2,263	–	–
Impairment of inventory	13,985	2,903	1,589	1,308	485
Disposal of intangible assets	–	–	1,488	–	–
Donation expenses	412	–	567	–	–
Loss on disposal of property, plant and equipment	–	842	266	–	–
Loss on termination of a lease	1,857	–	–	–	–
Others	30	32	287	53	7,722
Total	19,365	18,695	26,358	12,749	29,076

Finance Costs, Net

The Target Group's net finance costs primarily consist of (i) interest and associated fees on interest-bearing bank loans and other borrowings, (ii) interest on discounted bills in relation to certain products sold to importers, (iii) interest on lease liabilities, (iv) interest on a liability component of the puttable ordinary shares the Target Group issued under the New 2016 ABAX Warrant, the New 2017 ABAX Warrant and the CS Mezzanine Warrants associated with relevant loans, see “– Description of Certain Consolidated Statement of Financial Position Items – Liability Component of Puttable Ordinary Shares” for details. The Target Group refinanced those loans with loans the Target Group obtained in October 2022 and February 2023, see “– Indebtedness” for details, and (v) modification gain on interest-bearing bank loans and other borrowings, relating to the refinancing of a mezzanine loan and a senior bridge loan, in which the differences between the present value of the modified contractual cash flows discounted at the original effective interest rate and the carrying amount of the existing loans were recorded as modification gains. See “– Indebtedness – Bank and Other Borrowings” for details of the Target Group's interest-bearing bank loans and other borrowings.

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth the breakdown of the Target Group's net finance costs for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>			<i>(Unaudited)</i>	
Interest on interest-bearing bank loans and other borrowings	250,277	249,549	231,197	124,024	80,138
Interest on discounted bills	16,496	24,801	25,968	14,220	12,495
Interest on lease liabilities	2,591	1,758	1,654	887	949
Interest on other long-term payables	–	126	747	366	393
Interest on liability component of puttable ordinary shares	23,891	–	–	–	–
Modification gain on interest-bearing bank loans and other borrowings	–	–	(4,934)	–	–
Total	293,255	276,234	254,632	139,497	93,975

Income Tax Expenses

The Target Group's income tax expenses amounted to RMB18.9 million, RMB23.0 million, RMB94.6 million, RMB41.1 million and RMB62.6 million for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. The Target Group's effective income tax rates, which represent income tax expenses divided by profit before tax, were 5.8%, 6.9%, 19.6%, 13.0% and 35.3% for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, respectively. The fluctuations in income tax expenses and effective income tax rates were primarily due to the utilisation and recognition of tax losses/deductible temporary differences not recognised from previous years and adjustment pursuant to self-assessment of the Target Group's taxes.

FINANCIAL INFORMATION OF THE TARGET GROUP

Pursuant to the rules and regulations of the Cayman Islands, the Target Group is not subject to any income tax in the Cayman Islands. The Target Group currently conducts its business mainly through its subsidiaries in the PRC, which has a statutory rate of 25% of the assessable profits under the EIT Law. Two of the Target Group's subsidiaries were subject to income tax at 15% as they fulfilled certain certificates. The Target Group also has subsidiaries in Macau, Malaysia and Hong Kong. Taxes on profits assessable in such jurisdictions are calculated at the tax rates prevailing or applicable in such jurisdictions. Prior to 1 January 2021, the Target Group's Macau subsidiary was an offshore company according to tax regulations of Macau, and was authorised to be exempted from income tax. Starting from 1 January 2021, due to the change of relevant regulations regarding offshore licenses in Macau, the Target Group's Macau subsidiary has been subject to corporate income tax.

RESULTS OF OPERATIONS

The Target Group presents revenue, gross profit and gross profit margin by product in this circular on a gross basis, which are calculated based on revenue before deduction of sales rebates and sales tax. See “– Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Revenue – Revenue by Product Type” and “– Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items – Gross Profit and Gross Profit Margin” for details.

Six Months Ended 30 June 2025 Compared with Six months Ended 30 June 2024

Revenue

The Target Group's revenue decreased by 17.3% from RMB1,373.3 million for the six months ended 30 June 2024 to RMB1,135.5 million for the six months ended 30 June 2025, primarily reflecting a decrease in revenue from originator-branded products.

The Target Group's gross revenue from originator-branded products decreased by 19.0% from RMB1,268.3 million for the six months ended 30 June 2024 to RMB1,027.9 million for the six months ended 30 June 2025. The Target Group's sales volume of Vancocin remained relatively stable at 8.5 million doses for the six months ended 30 June 2024 and 8.6 million doses for the six months ended 30 June 2025. The Target Group's sales volume of Ceclor decreased from 15.0 million doses for the six months ended 30 June 2024 to 9.3 million doses for the six months ended 30 June 2025, primarily because Ceclor retail market was impacted by the slow down of the anti-bacterial drug market in China in the first half of 2025 caused by factors such as the inclusion of more anti-bacterial drugs in centralised procurement, which reduced their price and compressed the market, and the normalisation of anti-bacterial drug usage after the COVID-19 pandemic, which had previously been at a high level. Ceclor is an earlier-generation cephalosporin antibiotic that has faced intensified competition from numerous generic alternatives under centralized procurement, resulting in sales pressure. During the pandemic, antibiotics were used to be frequently prescribed to COVID-19 patients to preemptively treat potential secondary bacterial infections, especially when diagnostic testing was limited. Moreover, the Target Group has adjusted its retail sales strategies, under

FINANCIAL INFORMATION OF THE TARGET GROUP

which it prioritized collaboration with national and regional chain pharmacy customers and reduced business with smaller wholesalers, resulting in a decline greater than the industry trend. However, with the gradual increase in innovative anti-bacterial drugs and the slow rise in the prevalence of related indications, the Target Group's retail business continued to grow in the second half of the year, in line with its strategic plan. The Target Group's sales volume of FPN decreased from 21.1 million doses for the six months ended 30 June 2024 to 5.6 million doses for the six months ended 30 June 2025, primarily due to the Target Group's ongoing update of market access of domestically manufactured FPN in China. The Target Group expects to gradually recover from the update of market access in 2026. While the pricing policy as set by authorities in different provinces in China varies, the cost of manufacturing FPN is expected to decrease upon domestic manufacturing. In January 2024, the Target Group obtained manufacturing approval for FPN at its nebulizer manufacturing facility in Suzhou, through which the Target Group lowered cost of manufacturing FPN by nearly 40%.

Cost of Sales

The Target Group's cost of sales decreased by 16.3% from RMB449.2 million for the six months ended 30 June 2024 to RMB375.9 million for the six months ended 30 June 2025, in line with the Target Group's revenue trends.

Gross Profit and Gross Profit Margin

The Target Group's gross profit decreased by 17.8% from RMB924.1 million for the six months ended 30 June 2024 to RMB759.6 million for the six months ended 30 June 2025, in line with the Target Group's revenue trends. The Target Group's gross profit margin decreased slightly from 67.3% to 66.9% during the same periods, primarily due to a decrease in gross profit margin of Ceclor as a result of lower sales volumes, which raised its per unit fixed manufacturing costs, partially offset by an increase in gross profit margin of Vancocin, primarily attributable to lower international logistics costs as the Target Group obtained more favorable pricing terms following the renewal of agreements with its international logistics service providers.

Other Income and Gains

The Target Group's other income and gains decreased from RMB26.4 million for the six months ended 30 June 2024 to RMB13.4 million for the six months ended 30 June 2025, primarily because the Target Group incurred a compensation gain of RMB15.9 million for the six months ended 30 June 2024, primarily arising from negotiated settlements related to the termination of several discontinued products.

Selling and Distribution Expenses

The Target Group's selling and distribution expenses decreased by 24.8% from RMB314.7 million for the six months ended 30 June 2024 to RMB236.8 million for the six months ended 30 June 2025, primarily due to a RMB35.5 million decrease in staff costs as a result of the decrease in bonus and a RMB39.4 million decrease in conference expenses because of a decrease in certain marketing activities as the Target Group fine-tuned its marketing strategy.

FINANCIAL INFORMATION OF THE TARGET GROUP

Administrative Expenses

The Target Group's administrative expenses increased by 58.3% from RMB79.8 million for the six months ended 30 June 2024 to RMB126.3 million for the six months ended 30 June 2025, mainly due to (i) a RMB17.5 million increase in equity-settled share-based payment expenses as a result of a grant of stock options to the employees by the Target Group at the end of 2024, and (ii) a RMB7.8 million increase in staff costs and a RMB16.6 million increase in depreciation and amortisation as a result of reclassification of unused capacity as administrative expenses for the purpose of production adjustment.

Research and Development Expenses

The Target Group's research and development expenses increased by 24.3% from RMB58.5 million for the six months ended 30 June 2024 to RMB72.7 million for the six months ended 30 June 2025, primarily due to development of the Target Group's new projects, including biologics and product localisation.

Amortisation of Distribution Rights, Medicine Licenses and Trademark

The Target Group's amortisation of distribution rights, medicine licenses and trademark increased by 14.6% from RMB32.3 million for the six months ended 30 June 2024 to RMB37.0 million for the six months ended 30 June 2025, primarily because the Target Group recorded relatively less amortisation of distribution rights in the first half of 2024, in relation to a milestone payment in the six months ended 30 June 2024.

Impairment Losses/gains of Impairment Losses on Financial Assets, Net

The Target Group recorded net impairment losses on financial assets of RMB17.0 thousand for the six months ended 30 June 2025, compared to net reversal of impairment losses on financial assets RMB0.2 million for the six months ended 30 June 2024, primarily due to a decrease in the balance of trade and bills receivables.

Other Expenses

The Target Group's other expenses increased by 129.1% from RMB12.7 million for the six months ended 30 June 2024 to RMB29.1 million for the six months ended 30 June 2025, mainly due to an increase of RMB9.5 million in foreign exchange losses due to the fluctuation of the exchange rate between US\$ and RMB.

Finance Costs, Net

The Target Group's net finance costs decreased by 32.6% from RMB139.5 million for the six months ended 30 June 2024 to RMB94.0 million for the six months ended 30 June 2025, primarily due to a decrease of RMB43.9 million in interest on interest-bearing bank loans and other borrowings as the Target Group repaid certain bank loans and other borrowings in the second half of 2024 and the first half of 2025.

FINANCIAL INFORMATION OF THE TARGET GROUP

Income Tax Expense

The Target Group's income tax expense increased from RMB41.1 million for the six months ended 30 June 2024 to RMB62.6 million for the six months ended 30 June 2025, and the effective tax rate increased from 13.0% to 35.3% during the same periods, primarily reflecting a voluntary tax adjustment of an anticipated amount of RMB29 million made by the Company by 30 June 2025 based on communication with the relevant government authorities on certain interpretations regarding classification of expenses. Our PRC Legal Adviser is of the view that, based on the confirmation issued by the relevant tax authorities, the PRC entities of the Target Group had no outstanding tax payments during the Track Record Period.

Profit for the Period

As a result of the foregoing, the Target Group's profit for period in the six months ended 30 June 2025 decreased by 57.9% from RMB272.0 million to RMB114.6 million compared to the same period in 2024.

Year Ended 31 December 2024 Compared to Year Ended 31 December 2023

Revenue

The Target Group's revenue increased by 10.5% from RMB2,303.8 million for the year ended 31 December 2023 to RMB2,546.0 million for the year ended 31 December 2024, primarily reflecting an increase in revenue from originator-branded products.

The Target Group's gross revenue from originator-branded products increased by 9.2% from RMB2,191.9 million for the year ended 31 December 2023 to RMB2,393.1 million for the year ended 31 December 2024. The Target Group's sales volume of Vancocin increased from 12.7 million doses for the year ended 31 December 2023 to 15.0 million doses for the year ended 31 December 2024, in line with the strong market demand for Vancocin and the Target Group's ability to meet such demand. The Target Group's sales volume of Ceclor increased from 37.9 million doses for the year ended 31 December 2023 to 40.3 million doses for the year ended 31 December 2024, primarily due to more out-of-hospital retail sales of Ceclor. The Target Group's sales volume of FPN decreased from 30.6 million doses for the year ended 31 December 2023 to 24.4 million doses for the year ended 31 December 2024 primarily because FPN became domestically manufactured in 2024 and the Target Group has been undergoing an update of market access of domestically manufactured FPN in China. During this period, the Target Group is required to update the tendering process and implement the new distribution arrangements where applicable. The Target Group expects to gradually recover from the update of market access in 2026.

FINANCIAL INFORMATION OF THE TARGET GROUP

Cost of Sales

The Target Group's cost of sales increased by 4.0% from RMB798.1 million for the year ended 31 December 2023 to RMB829.8 million for the year ended 31 December 2024, in line with the Target Group's increased revenue.

Gross Profit and Gross Profit Margin

The Target Group's gross profit increased by 14.0% from RMB1,505.7 million for the year ended 31 December 2023 to RMB1,716.3 million for the year ended 31 December 2024, in line with the Target Group's increased revenue.

The Target Group's gross profit margin increased from 65.4% for the year ended 31 December 2023 to 67.4% for the year ended 31 December 2024, primarily attributable to (i) an increase in gross profit margin of Vancocin driven by higher sales volumes in 2024, which reduced the per-unit cost of goods of Vancocin through economies of scale, (ii) an increase in gross profit margin of Ceclor, primarily due to economies of scale from higher production volume which lowered per unit fixed manufacturing costs, and the Target Group adopted various measures to improve production efficiency, and (iii) an overall improvement in gross margin due to product mix, particularly the inclusion of Mulpleta which had a higher-than-average gross margin.

Other Income and Gains

The Target Group's other income and gains increased significantly from RMB10.8 million for the year ended 31 December 2023 to RMB105.3 million for the year ended 31 December 2024, primarily because the Target Group incurred a compensation gain of RMB84.7 million for the year ended 31 December 2024, primarily arising from negotiated settlements related to the termination of several discontinued products.

Selling and Distribution Expenses

The Target Group's selling and distribution expenses increased by 20.6% from RMB546.9 million for the year ended 31 December 2023 to RMB659.6 million for the year ended 31 December 2024, primarily due to a RMB56.8 million increase in conference expenses and a RMB47.6 million increase in staff costs as the Target Group recruited more sales and marketing personnel and conducted more advertising and promotion in line with the Target Group's business expansion. The Target Group's selling and distribution expenses as a percentage of revenue increased during the same periods primarily in line with the increased sales and marketing activities to support the Target Group's business expansion.

FINANCIAL INFORMATION OF THE TARGET GROUP

Administrative Expenses

The Target Group's administrative expenses increased by 13.1% from RMB182.2 million for the year ended 31 December 2023 to RMB206.0 million for the year ended 31 December 2024, primarily due to (i) a RMB19.4 million increase in professional service fees, and (ii) a RMB2.5 million increase in depreciation and amortisation. The Target Group's administrative expenses as a percentage of revenue remained relatively stable during the same periods.

Research and Development Expenses

The Target Group's research and development expenses decreased by 2.5% from RMB125.0 million for the year ended 31 December 2023 to RMB121.9 million for the year ended 31 December 2024, primarily in relation to development of the Target Group's pipeline products. The Target Group's research and development expenses as a percentage of revenue decreased during the same periods due to economies of scale.

Amortisation of Distribution Rights, Medicine Licenses and Trademark

The Target Group's amortisation of distribution rights, medicine licenses and trademark increased from RMB36.5 million for the year ended 31 December 2023 to RMB71.3 million for the year ended 31 December 2024, primarily due to an increase in the balance of distribution rights, medicine licenses and trademark.

Impairment Losses/Reversal of Impairment Losses on Financial Assets, Net

The Target Group recorded net impairment losses on financial assets of RMB32,000 for the year ended 31 December 2023, compared to net reversal of impairment losses on financial assets of RMB0.7 million for the year ended 31 December 2024, primarily due to a decrease in the balance of trade and bills receivables.

Other Expenses

The Target Group's other expenses increased by 41.0% from RMB18.7 million for the year ended 31 December 2023 to RMB26.4 million for the year ended 31 December 2024, primarily due to an increase of RMB16.8 million in foreign exchange losses due to the fluctuation of the exchange rate between US\$ and RMB, offset in part by a decrease in the Target Group's recognition of impairment allowance of non-current assets from RMB11.8 million for the year ended 31 December 2023 to RMB2.3 million for the year ended 31 December 2024, primarily because (i) in 2023, the Target Group recorded impairment allowance in relation to the prepayment for the exclusive drug rights of a pipeline product in-licensed in 2014 which it no longer developed, and (ii) in 2024, the Target Group recorded impairment in relation to certain obsolete equipments.

FINANCIAL INFORMATION OF THE TARGET GROUP

Finance Costs, Net

The Target Group's net finance costs decreased by 7.8% from RMB276.2 million for the year ended 31 December 2023 to RMB254.6 million for the year ended 31 December 2024, primarily due to a decrease of RMB18.4 million in interest on interest-bearing bank loans and other borrowings as the Target Group repaid certain bank loans and other borrowings in 2024.

Income Tax Expense

The Target Group's income tax expenses increased from RMB23.0 million for the year ended 31 December 2023 to RMB94.6 million for the year ended 31 December 2024, and the Target Group's effective income tax rate increased from 6.9% for the year ended 31 December 2023 to 19.6% for the year ended 31 December 2024, primarily due to the increased profit before tax and the utilisation and recognition of deductible temporary differences in 2024.

Profit for the Year

For the reasons discussed above, the Target Group's profit for the year increased by 25.9% from RMB308.0 million for the year ended 31 December 2023 to RMB387.9 million for the year ended 31 December 2024.

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

Revenue

The Target Group's revenue increased by 11.1% from RMB2,073.8 million for the year ended 31 December 2022 to RMB2,303.8 million for the year ended 31 December 2023, primarily reflecting an increase in revenue from originator-branded products.

The Target Group's gross revenue from originator-branded products increased by 11.7% from RMB1,961.7 million for the year ended 31 December 2022 to RMB2,191.9 million for the year ended 31 December 2023. The Target Group's sales volume of Vancocin increased from 11.9 million doses in 2022 to 12.7 million doses in 2023 primarily due to resumption of full hospital operations after the pandemic. The Target Group's sales volume of Ceclor increased from 36.6 million doses in 2022 to 37.9 million doses in 2023 primarily because the Target Group continued to expand out-of-hospital retail sales channels. The Target Group's sales volume of FPN increased from 21.9 million doses in 2022 to 30.6 million doses in 2023 primarily because the Target Group successfully expanded the sales network for FPN to more hospitals.

Cost of Sales

The Target Group's cost of sales increased by 13.2% from RMB705.3 million for the year ended 31 December 2022 to RMB798.1 million for the year ended 31 December 2023, in line with the Target Group's increased revenue.

FINANCIAL INFORMATION OF THE TARGET GROUP

Gross Profit and Gross Profit Margin

The Target Group's gross profit increased by 10.0% from RMB1,368.4 million for the year ended 31 December 2022 to RMB1,505.7 million for the year ended 31 December 2023, in line with the Target Group's increased revenue.

The Target Group's gross profit margin decreased slightly from 66.0% for the year ended 31 December 2022 to 65.4% for the year ended 31 December 2023, primarily attributable to a slightly declined gross profit margin of Vancocin, primarily due to increased international logistics costs, offset in part by an increase in gross profit margin for Ceclor, primarily due to economies of scale from the higher production volume of Ceclor which lowered its per unit fixed manufacturing costs, and an increase in gross profit margin for FPN, primarily because (i) the Target Group was able to negotiate a lower purchase price for FPN in 2022 after the Target Group became the MAH of FPN and gradually sold goods purchased prior to becoming MAH, which were procured at a higher price, and (ii) the Target Group expanded sales channels for FPN to cover more hospitals and focused sales more on higher-tier cities where the Target Group was able to sell FPN at a higher price.

Other Income and Gains

The Target Group's other income and gains increased from RMB3.7 million for the year ended 31 December 2022 to RMB10.8 million for the year ended 31 December 2023, primarily due to an increase of RMB6.0 million in interest income, which mainly arises from the Target Group's amounts due from the Controlling Shareholder.

Selling and Distribution Expenses

The Target Group's selling and distribution expenses increased from RMB545.7 million for the year ended 31 December 2022 to RMB546.9 million for the year ended 31 December 2023, primarily in line with the Target Group's business expansion. The Target Group's selling and distribution expenses as a percentage of revenue decreased during the same periods due to economies of scale.

Administrative Expenses

The Target Group's administrative expenses increased by 168.0% from RMB68.0 million for the year ended 31 December 2022 to RMB182.2 million for the year ended 31 December 2023, primarily due to (i) the RMB14.6 million increase in staff costs and the change from a reversal of equity-settled share-based payment expenses of RMB39.6 million in 2022 to recognition of these expenses of RMB33.6 million in 2023, as the Target Group had more administrative personnel, and (ii) a RMB18.9 million increase in professional service fees.

FINANCIAL INFORMATION OF THE TARGET GROUP

Research and Development Expenses

The Target Group's research and development expenses increased by 31.1% from RMB95.3 million for the year ended 31 December 2022 to RMB125.0 million for the year ended 31 December 2023, primarily in relation to development of the Target Group's pipeline products.

Amortisation of Distribution Rights, Medicine Licenses and Trademark

The Target Group's amortisation of distribution rights, medicine licenses and trademark increased from RMB25.6 million for the year ended 31 December 2022 to RMB36.5 million for the year ended 31 December 2023, due to an increase in the balance of distribution rights, medicine licenses and trademark.

Impairment Losses/Reversal of Impairment Losses on Financial Assets, Net

The Target Group recorded net reversal of impairment losses on financial assets of RMB0.3 million for the year ended 31 December 2022, compared to net impairment losses on financial assets of RMB32,000 for the year ended 31 December 2023, primarily due to an increase in the balance of trade and bills receivables.

Other Expenses

The Target Group's other expenses decreased from RMB19.4 million for the year ended 31 December 2022 to RMB18.7 million for the year ended 31 December 2023, primarily due to a RMB11.1 million decrease in impairment of inventory as the Target Group's sales and inventory management improved, offset in part by its recognition of RMB11.8 million in impairment allowance of long-term assets in relation to the prepayment for the exclusive drug rights of a pipeline product in-licensed in 2014 which the Target Group may no longer develop.

Finance Costs, Net

The Target Group's net finance costs decreased by 5.8% from RMB293.3 million for the year ended 31 December 2022 to RMB276.2 million for the year ended 31 December 2023, primarily because the Target Group recognised RMB23.9 million in interest on liability component of redeemable ordinary shares in 2022 and the Target Group no longer recorded liability component of redeemable ordinary shares in 2023.

Income Tax Expense

The Target Group's income tax expenses increased from RMB18.9 million for the year ended 31 December 2022 to RMB23.0 million for the year ended 31 December 2023, and the Target Group's effective income tax rate increased from 5.8% for the year ended 31 December 2022 to 6.9% for the year ended 31 December 2023, primarily due to the utilisation and recognition of tax losses/deductible temporary differences not recognised from previous years.

Profit for the Year

For the reasons discussed above, the Target Group's profit for the year increased by 0.5% from RMB306.3 million for the year ended 31 December 2022 to RMB308.0 million for the year ended 31 December 2023.

FINANCIAL INFORMATION OF THE TARGET GROUP

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of the Target Group's consolidated statement of financial position as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Non-current assets				
Property, plant and equipment	258,667	271,171	270,153	275,786
Prepayments, other				
receivables and other assets	405,724	231,992	166,544	168,321
Deferred tax assets	9,796	40,026	37,357	47,236
Right-of-use assets	34,844	49,434	50,636	63,454
Goodwill	112,055	112,055	112,055	112,055
Other intangible assets	2,710,705	2,979,919	3,053,266	2,951,185
Financial asset at fair value				
through profit or loss	50,000	50,000	50,000	50,000
Total non-current assets	3,581,791	3,734,597	3,740,011	3,668,037
Current assets				
Inventories	368,073	306,151	552,776	534,866
Trade and bills receivables	362,835	367,810	319,524	137,475
Prepayments, other				
receivables and other assets	38,258	45,715	82,575	75,887
Amounts due from a related				
party	–	–	120	120
Due from the Controlling				
Shareholder	172,460	223,304	237,582	238,944
Pledged deposits	428	404	395,740	335,630
Cash and cash equivalents	537,635	467,127	111,703	778,462
Total current assets	1,479,689	1,410,511	1,700,020	2,101,384

FINANCIAL INFORMATION OF THE TARGET GROUP

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Current liabilities				
Trade payables	248,173	187,764	332,164	196,142
Other payables and accruals	367,967	417,604	451,232	317,395
Refund liabilities	37,059	31,823	50,141	26,331
Interest-bearing bank and other borrowings	1,647,619	2,382,929	1,993,140	1,888,436
Dividends payable	10,813	49,525	50,264	50,144
Liability component of puttable ordinary shares	69,646	—	—	—
Tax payables	20,693	29,075	60,899	93,941
Lease liabilities	8,074	14,525	13,951	18,868
Total current liabilities	2,410,044	3,113,245	2,951,791	2,591,257
Net current liabilities	930,355	1,702,734	1,251,771	489,873
Total assets less current liabilities	2,651,436	2,031,863	2,488,240	3,178,164
Non-current liabilities				
Interest-bearing bank borrowings	722,051	—	—	530,720
Deferred tax liabilities	1,935	2,149	11,563	13,810
Lease liabilities	14,943	24,133	27,038	35,794
Other liabilities	—	40,706	40,077	42,906
Total non-current liabilities	738,929	66,988	78,678	623,230
Net assets	1,912,507	1,964,875	2,409,562	2,554,934

FINANCIAL INFORMATION OF THE TARGET GROUP

Property, Plant and Equipment

The Target Group's property, plant and equipment consist of buildings, leasehold improvements, plant and machinery, office and other equipment, motor vehicles and construction in progress. The Target Group's property, plant and equipment increased from RMB258.7 million as at 31 December 2022 to RMB271.2 million as at 31 December 2023, primarily due to the construction of the Target Group's FPN manufacturing facility in Suzhou. The Target Group obtained manufacturing approval from the NMPA in January 2024 and started to manufacture FPN in February 2024. The Target Group's property, plant and equipment remained stable at RMB271.2 million, RMB270.2 million and RMB275.8 million as at 31 December 2023 and 2024, and 30 June 2025, respectively.

Prepayments, Other Receivables and Other Assets

The Target Group's prepayments, other receivables and other assets primarily consist of (i) prepayments for exclusive rights on new drugs, primarily representing upfront fees and milestone payments paid for the Target Group's development and commercialisation rights for in-licensed drugs, such as Vascepa, Mulpleta and Jing Zhu Da, as well as development costs in relation to clinical trials, which will be reclassified into intangible assets upon meeting drug approval and commercialisation milestones and will be amortised on a straight-line basis, (ii) prepayments for long-term assets, primarily representing the Target Group's prepayments for construction of and purchase of equipments in its manufacturing facilities in Suzhou, which were reclassified into property, plant and equipment upon completion and will be depreciated on a straight-line basis, and the Target Group's acquisition payment in relation to Mulpleta's U.S. assets, which was reclassified into intangible assets upon completion, (iii) other prepayments made in the Target Group's operations, (iv) other receivables, primarily in relation to certain refundable prepaid overseas taxes and the compensation to be paid from a collaboration partner pursuant to mutual negotiation, (v) deductible input tax from the Target Group's domestic operations, and (vi) deposits. The following table sets forth the details of the Target Group's prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Non-current portion				
Prepayments for exclusive rights on new drugs	400,467	231,671	163,697	162,976
Prepayments for long-term assets	2,071	9,421	–	–
Deposits	3,376	3,039	3,029	5,682
<i>Subtotal</i>	<u>405,914</u>	<u>244,131</u>	<u>166,726</u>	<u>168,658</u>

FINANCIAL INFORMATION OF THE TARGET GROUP

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Current portion				
Prepayments	6,990	15,127	33,057	20,934
Deposits	3,268	1,019	2,814	2,818
Other receivables	25,907	28,081	40,225	43,646
Deductible input tax	2,121	1,549	6,648	8,559
<i>Subtotal</i>	<u>38,286</u>	<u>45,776</u>	<u>82,744</u>	<u>75,957</u>
Less: Impairment allowance	<u>(218)</u>	<u>(12,200)</u>	<u>(351)</u>	<u>(407)</u>
Total	<u>443,982</u>	<u>277,707</u>	<u>249,119</u>	<u>244,208</u>

The Target Group's prepayments for exclusive rights on new drugs decreased from RMB400.5 million as at 31 December 2022 to RMB231.7 million as at 31 December 2023, primarily because Vascepa and Mulpleta received NDA approval from the NMPA in May 2023 and June 2023, respectively, and accordingly the relevant prepayment balance was reclassified into intangible assets. The Target Group's prepayments for exclusive rights on new drugs decreased from RMB231.7 million as at 31 December 2023 to RMB163.7 million as at 31 December 2024, primarily because (i) the Target Group ceased to record prepayments for exclusive rights related to Vascepa as at 31 December 2024, and (ii) Jing Zhu Da received NDA approval from the NMPA in April 2024, and accordingly the relevant prepayment balance was reclassified into intangible assets. In addition, the Target Group's prepayments for exclusive rights on new drugs remained relatively stable at RMB163.7 million as at 31 December 2024 and RMB163.0 million as at 30 June 2025. See "Business of the Target Group – Product Portfolio of the Target Group – Key Products – Innovative Products" for details.

The Target Group's prepayments for long-term assets of RMB2.1 million as at 31 December 2022 were primarily in relation to the Target Group's prepayments for construction of and purchase of equipments in its manufacturing facilities in Suzhou. The Target Group completed construction of the manufacturing facility for FPN in 2022. The Target Group's prepayments for long-term assets increased to RMB9.4 million as at 31 December 2023, primarily because the Target Group recorded prepayments for know-how of RMB7.4 million as at 31 December 2023, mainly representing acquisition payment in relation to Mulpleta's U.S. assets. The Target Group began to amortise the know-how of Mulpleta's U.S. assets, which was reclassified into intangible assets, in the first half of 2024, thus did not record prepayments for know-how as at 31 December 2024 and 30 June 2025.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's current portion of prepayments increased from RMB7.0 million as at 31 December 2022 to RMB15.1 million as at 31 December 2023, and further to RMB33.1 million as at 31 December 2024, primarily in line with its business growth. The Target Group's other receivables increased from RMB25.9 million as at 31 December 2022 to RMB28.1 million as at 31 December 2023, primarily in relation to business credit from Shionogi before MAH transfer pursuant to asset purchase agreement for Mulpleta's US assets. The Target Group's other receivables further increased to RMB40.2 million as at 31 December 2024, and to RMB43.6 million as at 30 June 2025, primarily due to an increase in certain refundable prepaid overseas taxes.

As at 31 October 2025, RMB7.4 million, or 11.4%, of the Target Group's current portion of prepayments and other receivables as at 30 June 2025 had been settled.

Right-of-use Assets

The Target Group recognises right-of-use assets for leases of land and office premises. The Target Group's right-of-use assets increased from RMB34.8 million as at 31 December 2022 to RMB49.4 million as at 31 December 2023, primarily because it entered into a new lease for the Target Group's research and development facility in 2023. The Target Group's right-of-use assets increased to RMB50.6 million as at 31 December 2024, primarily due to an increase in number of leases for office premises. In addition, the Target Group's right-of-use assets increased from RMB50.6 million as at 31 December 2024 to RMB63.5 million as at 30 June 2025, primarily because it entered into a new lease for the Target Group's research and development facility in 2025 and renewed lease for its warehouse.

Other Intangible Assets

The Target Group's other intangible assets represent its know-how licenses and medical rights as well as exclusive distribution rights for certain drugs, software and trademarks. The Target Group's other intangible assets remained relatively stable at RMB2,710.7 million, RMB2,979.9 million, RMB3,053.3 million and RMB2,951.2 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively. The following table sets forth the details of the Target Group's other intangible assets as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000			
Know-how licenses				
Vancocin	1,472,654	1,441,816	1,406,688	1,375,087
Ceclor	319,676	305,782	290,747	280,277
FPN	419,741	426,858	413,372	401,583
Mulpleta	—	—	101,369	94,101
Subtotal	2,212,071	2,174,456	2,212,176	2,151,048

FINANCIAL INFORMATION OF THE TARGET GROUP

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000			
<i>Exclusive distribution rights and medicine licenses</i>				
FPN	1,853	377	–	–
Vascepa	–	228,816	329,424	309,680
Mulpleta	–	101,567	5,072	2,502
Recormon	22,414	18,295	14,016	11,717
Jing Zhu Da	–	–	53,302	50,472
<i>Subtotal</i>	<u>24,267</u>	<u>349,055</u>	<u>401,814</u>	<u>374,371</u>
<i>Trademarks</i>				
Vancocin	269,057	263,422	257,005	251,232
Ceclor	170,228	162,831	154,823	149,248
<i>Subtotal</i>	<u>439,285</u>	<u>426,253</u>	<u>411,828</u>	<u>400,480</u>
<i>Others⁽¹⁾</i>	<u>35,082</u>	<u>30,155</u>	<u>27,448</u>	<u>25,286</u>
<i>Total</i>	<u>2,710,705</u>	<u>2,979,919</u>	<u>3,053,266</u>	<u>2,951,185</u>

(1) Represents software used to design the Target Group's products and to support its daily operation management.

All of the Target Group's intangible assets as at the end of each period during the Track Record Period were with finite useful lives. The Target Directors considered and evaluated the benefit period of its know-how license taking into consideration various factors such as the safety and efficacy of the products, the scope of indications, pharmacoeconomics and production processes. The Target Directors also took into consideration the fact that the relevant agreements did not stipulate a validity period. Therefore, based on these factors, the Target Directors made a best estimation that the useful life of its know-how license should be 10 to 30 years. According to Frost & Sullivan, such useful life is in line with the market practice based on the public information in relation to the useful life of know-how of other listed companies. For details, please see “– Material Accounting Policies, Judgements and Estimates – Useful Lives of Intangible Assets”.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's know-how license of FPN was an intangible asset not yet available for use as at 31 December 2023. In 2019, the Target Group entered into an agreement with an Independent Third Party, pursuant to which the Target Group agreed to acquire know-how licenses for FPN. Such know-how license was expected to be used in the manufacture of drug in 2023. At the end of May 2020, the acquisition had been properly and legally settled. As at 31 December 2022 and 2023, the carrying amounts of know-how were RMB420 million and RMB427 million, respectively. The know-how license related to intangible asset was not yet available for use as at 31 December 2022 and 2023, and therefore was tested for impairment annually according to accounting standards. No impairment loss was recognised according to the impairment test. The Target Group obtained manufacturing approval from the NMPA in January 2024 and started to manufacture FPN in February 2024, and began to amortise the know-how license in February 2024.

The Target Group used the income approach to evaluate the recoverable amount of such intangible asset, which involved cash flow projections of the related cash-generating unit.

The recoverable amount of such cash-generating unit has been determined based on a value in use calculation using cash flow projections with detail forecast period from the end of each of reporting periods till 2026, when production is expected to reach stable status. The know-how license has been used in localized production in Chinese mainland starting from February 2024. Based on the estimation of management, it will take another three years to achieve stable operations.

Assumptions were used in the value in use calculation of such cash-generating unit as at 31 December 2022 and 2023. The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of the recoverable amount:

Discount rates – The pre-tax discount rates 2022 and 2023 are 21.2% and 21.7%, respectively.

Attrition rates – Attrition rates used are determined by reference to the average market level, representing the rate of attrition of techniques with time.

Based on the estimate of the Target Directors, as at 31 December 2022 and 2023, the recoverable amount of such cash-generating unit exceeded the carrying amount by RMB317.3 million and RMB411.6 million, respectively.

In the opinion of the Target Directors, as at 31 December 2022 and 2023, an increase in the discount rate from 21.2% to 32.8% and from 21.7% to 39.7% would cause the carrying amount to exceed the recoverable amount, respectively. As at 31 December 2022 and 2023, an increase in the attrition rate from 4% to 12% and from 4% to 14% would cause the carrying amount of such cash-generating unit to exceed its recoverable amount, respectively, and any reasonably possible change in the other material assumptions on which the recoverable amount is based would not cause the know-how license's carrying amount to exceed its recoverable amount.

FINANCIAL INFORMATION OF THE TARGET GROUP

In February 2024, the Target Group began to locally manufacture the drug, and the Target Group started to amortize the know-how license since then.

During the Track Record Period, the Target Group did not perform impairment testing on intangible assets other than the know-how license of FPN, as there were no indicators of impairment identified. The Target Group ceased to perform impairment testing on the know-how license for FPN after beginning the amortisation of the know-how license in February 2024.

Goodwill

The Target Group recorded goodwill of RMB112.1 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, primarily in relation to the Target Group's acquisition of Ceclor. The Target Group determines whether goodwill is impaired at least on an annual basis.

Goodwill acquired through business combinations is allocated to the Ceclor manufacturing and sales cash-generating unit for impairment testing.

The recoverable amount of the Ceclor manufacturing and sales cash-generating unit has been determined with a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the Target Group's management. The discount rates applied to the cash flow projections were 19.29%, 18.93%, 19.24% and 19.35% as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, and the growth rates applied to cash flows beyond the five-year period were 2.3%, 2.3%, 2.0% and 2.0% as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, which were same as the long-term average growth rates of the pharmaceutical products industry.

The key assumptions adopted by the Target Group's management in the cash flow projections as at 31 December 2022, 2023 and 2024, and 30 June 2025 are as following:

- Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.
- Discount rates – The discount rates used are pre-tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of Ceclor products and discount rates are consistent with external information sources.

FINANCIAL INFORMATION OF THE TARGET GROUP

Based on the estimate of the Target Directors, as at 31 December 2022, 2023 and 2024, and 30 June 2025, the recoverable amount exceeded the carrying amount by RMB475.6 million, RMB491.4 million, RMB555.6 million and RMB594.6 million, respectively.

In the opinion of the Target Directors, as at 31 December 2022, 2023 and 2024, and 30 June 2025, an increase in the discount rate from 19.29% to 29.78%, 18.93% to 46.77%, 19.24% to 57.03%, and from 19.35% to 61.71%, respectively, or a decrease in budgeted gross margins for each forecast period by 16%, 21%, 18% and 23%, respectively, would cause the carrying amount of the cash-generating unit to exceed its recoverable amount. Any reasonably possible change in the other key assumptions on which the recoverable amount is calculated would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Inventories

The Target Group's inventories consist of raw materials, spare parts, work-in-progress and finished goods. The following table sets forth the details of the Target Group's inventories as at the dates indicated and inventory turnover days for the periods indicated:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Raw materials	148,444	143,653	177,572	151,286
Spare parts	8,464	8,276	8,657	8,836
Work-in-progress	30,889	49,869	58,651	38,943
Finished goods	186,719	107,551	309,068	336,638
Less: impairment	(6,443)	(3,198)	(1,172)	(837)
Total	368,073	306,151	552,776	534,866
Inventory turnover days ⁽¹⁾	193	154	189	263

- (1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of sales for the corresponding period and then multiplying by 365 days for a full-year period or 182 days for a six-month period.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's inventories decreased from RMB368.1 million as at 31 December 2022 to RMB306.2 million as at 31 December 2023, primarily due to decreased inventories of the Target Group's originator-branded products as a result of optimised inventory management. The Target Group's inventories increased to RMB552.8 million as at 31 December 2024, primarily due to the increase in finished goods as the Target Group prepared for the estimated sales expansion at the stage when the relevant sales projection and procurement decisions were made. The Target Group's inventories remained relatively stable at RMB552.8 million as at 31 December 2024 and RMB534.8 million as at 30 June 2025. The Target Group's inventory turnover days decreased from 193 days in 2022 to 154 days in 2023, primarily because the Target Group continued to strengthen inventory management capabilities. The Target Group's inventory turnover days then increased to 189 days in 2024, primarily due to the increasing inventory levels. The Target Group's inventory turnover days then increased to 263 days in the six months ended 30 June 2025, mainly due to relatively high inventory levels which the Target Group prepared for the estimated sales expansion at the stage when the relevant sales projection and procurement decisions were made. We have been closely monitoring our sales performance and managing our procurement pace in response. As a result of our effective inventory management, our inventory levels decreased from 30 June 2025 to 31 October 2025.

The following table sets forth a breakdown of the Target Group's inventories by product as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Originator-branded products				
Vancocin	174,205	164,223	216,175	158,000
Ceclor	44,002	53,382	77,959	80,666
FPN	84,225	51,041	89,345	77,345
<i>Subtotal</i>	<u>302,432</u>	<u>268,646</u>	<u>383,479</u>	<u>316,011</u>
Innovative products				
Vascepa	1,652	7,570	109,028	88,741
Mulpleta	–	–	54,782	116,208
<i>Subtotal</i>	<u>1,652</u>	<u>7,570</u>	<u>163,810</u>	<u>204,949</u>
Other products				
Recormon	9,237	14,317	5,487	13,906
Discontinued products	<u>54,752</u>	<u>15,618</u>	<u>–</u>	<u>–</u>
Total	<u>368,073</u>	<u>306,151</u>	<u>552,776</u>	<u>534,866</u>

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth an ageing analysis of the Target Group's inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Within 1 year	324,910	244,475	517,645	399,133
1-2 years	35,066	54,112	26,927	127,069
Over 2 years	8,097	7,564	8,204	8,664
Total	368,073	306,151	552,776	534,866

The Target Group's inventories with aging exceeding two years during the Track Record Period primarily consisted of spare parts used for machinery maintenance. These spare parts have no expiration date and therefore do not require any provision for inventory impairment. For inventory with aging between one to two years, the majority comprises finished products and raw materials of originator-branded products and innovative products, specifically Vascepa, Ceclor, and FPN, with a small quantity of spare parts for machinery maintenance. These finished products and raw materials are being gradually consumed and sold subsequent to the Track Record Period. During the Track Record Period, the Target Group did not encounter any material recoverability issues for its inventories and the Target Group maintained an adequate inventory turnover.

At each balance sheet date, inventories are measured at the lower of cost and net realizable value. The Target Group recognizes a provision for inventory impairment for any items where the cost is deemed to exceed the net realizable value. In addition, the Target Group makes a full provision for all finished goods that are scheduled to expire within six months. The Target Directors are of the view that the Target Group's provision for inventory write-down was sufficient and the Target Group did not encounter any material impairment issues for its inventories during the Track Record Period as the Target Group has estimated the net realisable value of inventories strictly in accordance with the relevant accounting standards.

As at 31 October 2025, RMB206.5 million, or 38.6%, of the Target Group's inventories as at 30 June 2025 was subsequently utilised.

FINANCIAL INFORMATION OF THE TARGET GROUP

Trade and Bills Receivables

The Target Group's trade and bills receivables represent outstanding amounts due from its customers. During the Track Record Period, the Target Group generally granted a credit period of 30 to 60 days to regional distributors with good credit standing on a case-by-case basis based on its assessment. The Target Group requires its importers to deliver irrevocable letters of credit. The following table sets forth the details of the Target Group's trade and bills receivables as at the dates indicated and trade and bills receivables turnover days for the periods indicated:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Trade receivables	362,008	356,475	320,457	138,368
Bills receivables	2,530	12,968	—	—
Impairment	(1,703)	(1,633)	(933)	(893)
Total	362,835	367,810	319,524	137,475
Trade and bills receivables turnover days ⁽¹⁾	79	58	49	37

- (1) The trade and bills receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills receivables in that period by revenue for the corresponding period and then multiplying by 365 days for a full-year period or 182 days for a six-month period.

The Target Group's trade and bills receivables remained relatively stable at RMB362.8 million as at 31 December 2022 and RMB367.8 million as at 31 December 2023. The Target Group's trade and bills receivables then decreased to RMB319.5 million as at 31 December 2024, and further decreased to RMB137.5 million as at 30 June 2025, primarily due to settlement acceleration.

The Target Group's trade and bills receivables turnover days decreased from 79 days in 2022 to 58 days in 2023. The decrease in the Target Group's trade and bills receivables turnover days from 2022 to 2023 was primarily because (i) it enhanced its management of trade and bills receivables through accelerating settlement, and (ii) it engaged a new importer in 2023 and obtained better settlement terms for its existing importer. See "Business of the Target Group – Sales and Marketing – Sales and Distributorship" for details. The Target Group's trade and bills receivables turnover days decreased from 58 days in 2023 to 49 days in 2024, and further to 37 days in the six months ended 30 June 2025, primarily because it enhanced its management of trade and bills receivables through accelerating settlement.

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth an ageing analysis, based on the invoice date and net of loss allowance, of the Target Group's trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Within 90 days	337,885	354,842	319,524	137,373
91 to 180 days	20,382	–	–	102
181 to 360 days	2,038	–	–	–
Total	360,305	354,842	319,524	137,475

As at 31 October 2025, RMB111.7 million, or 81.2%, of the Target Group's trade and bills receivables as at 30 June 2025 was subsequently settled.

During the Track Record Period, the Target Group did not have any material recoverability issues for the Target Group's trade receivables and the Target Group made appropriate provisions for the Target Group's trade receivables balances pursuant to the relevant accounting standards.

Pledged Deposits

The Target Group's pledged deposits primarily consist of pledged deposits for bank loans. As at 31 December 2022, 2023 and 2024, and 30 June 2025, the Target Group had pledged deposits of RMB0.4 million, RMB0.4 million, RMB395.7 million and RMB335.6 million, respectively. The significant increase in pledged deposits as at 31 December 2024 was primarily due to pledged deposits for a senior term loan. In addition, the decrease in pledged deposits as at 30 June 2025 was primarily because the Target Group repaid part of the principal of loans that gave rise to the pledged deposits. For details, see “– Indebtedness – Bank and Other Borrowings – Note (3) ”.

FINANCIAL INFORMATION OF THE TARGET GROUP

Cash and Cash Equivalents

The Target Group's cash and cash equivalents primarily consist of cash at bank. Most of the Target Group's cash and cash equivalents were denominated in Renminbi or US dollars during the Track Record Period. The following table sets forth a breakdown of the Target Group's cash and cash equivalents as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Cash at bank	538,063	467,531	507,443	1,114,092
Less:				
Pledged deposits for bank loans	428	404	395,740	335,630
Total	537,635	467,127	111,703	778,462

The Target Group's cash and cash equivalents decreased from RMB537.6 million as at 31 December 2022 to RMB467.1 million as at 31 December 2023, primarily due to repayment of certain borrowings. The Target Group's cash and cash equivalents further decreased to RMB111.7 million as at 31 December 2024, primarily due to an increase in pledged deposits for bank loans. The Target Group's cash and cash equivalents then increased to RMB778.5 million as at 30 June 2025, primarily because the Target Group draw down new bank loans and accelerated the settlement of trade and bills receivables. For details, see “– Indebtedness – Bank and Other Borrowings – Note (3)”.

Financial Assets at Fair Value through Profit or Loss

The Target Group's financial assets at fair value through profit or loss represents its equity investment in Taizhou EOC in 2021. Taizhou EOC is an integrated biopharmaceutical company focusing on the discovery, research, development, and commercialisation of innovative oncology products. Accordingly, the Target Group recorded financial assets at fair value through profit or loss of RMB50.0 million, RMB50.0 million, RMB50.0 million and RMB50.0 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively.

In selecting investment targets, the Target Group conducts comprehensive market and feasibility analyses, and investment decisions must comply with the requirements of the Articles of Association such as being subject to review and approval by the Board of Directors. Following the Proposed Merger, the Target Group's investments in such financial assets at fair value through profit or loss will be made in compliance with Chapter 14 of the Listing Rules.

FINANCIAL INFORMATION OF THE TARGET GROUP

Trade Payables

The Target Group's trade payables primarily represent payments due to the Target Group's suppliers, including drug manufacturers and raw material suppliers. The following table sets forth the amount of trade payables as at the dates indicated and the Target Group's trade payable turnover days for the periods indicated:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Trade payables	248,173	187,764	332,164	196,142
Trade payable turnover days ⁽¹⁾	106	100	114	128

- (1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period or period by cost of sales for the corresponding period and then multiplying by 365 days for a full-year period or 182 days for a six-month period.

The Target Group's trade payables decreased from RMB248.2 million as at 31 December 2022 to RMB187.8 million as at 31 December 2023, primarily because the Target Group settled a relatively large amount of trade payables in 2023. The Target Group's trade payables increased to RMB332.2 million as at 31 December 2024, which was in line with the increase in sales and procurement. The Target Group's trade payables decreased from RMB332.2 million as at 31 December 2024 to RMB196.1 million as at 30 June 2025, primarily because the Target Group settled a relatively large amount of trade payables in the first half of 2025. The Target Group's trade payable turnover days decreased from 106 days in 2022 to 100 days in 2023, primarily due to the decreased trade payables as at 31 December 2023. The Target Group's trade payable turnover days then increased to 114 days as at 31 December 2024, primarily reflecting the increase in its trade payable as of 2024 year end. The Target Group's trade and bills receivables turnover days then increased to 128 days in the six months ended 30 June 2025, which was mainly driven by the corresponding decrease in its cost of sales and the decrease in its revenue for in the first half of 2025.

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth an ageing analysis of the Target Group's trade payables, based on the invoice date, as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Within 90 days	230,725	181,593	258,911	57,232
91-180 days	17,126	4,282	53,653	85,309
Over 180 days	322	1,889	19,600	53,601
Total	248,173	187,764	332,164	196,142

As at 31 October 2025, RMB120.6 million, or 61.5%, of the Target Group's trade payables as at 30 June 2025 were subsequently settled.

Other Payables and Accruals

The Target Group's other payables and accruals primarily consist of (i) accruals, primarily representing accrued operating expenses and third-party service fees, (ii) payroll payables, (iii) other payables primarily representing reimbursement for travel and other expenses, deposits and payables for other intangible assets, (iv) contract liabilities, primarily representing short-term advances received from customers, and (v) other taxes payables. The following table sets forth the details of the Target Group's other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Accruals	126,640	144,885	161,372	105,582
Payroll payables	106,626	127,977	141,818	97,487
Other payables	99,581	114,614	110,690	80,838
Contract liabilities	8,313	1,920	8,992	7,514
Other taxes payables	26,807	28,208	28,360	25,974
Total	367,967	417,604	451,232	317,395

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's other payables and accruals increased from RMB368.0 million as at 31 December 2022 to RMB417.6 million as at 31 December 2023 primarily due to an increase of RMB21.4 million in payroll payable as the Target Group had more employees. The Target Group's other payables and accruals increased from RMB417.6 million as at 31 December 2023 to RMB451.2 million as at 31 December 2024 primarily due to an increase in accruals of RMB16.5 million as a result of the increased third-party service fees and an increase in payroll payables of RMB13.8 million as the Target Group had more employees in line with business expansion. The Target Group's other payables and accruals decreased from RMB451.2 million as at 31 December 2024 to RMB317.4 million as at 30 June 2025 primarily due to a decrease in accruals of RMB55.8 million as a result of payment of operation-related and third-party service fees, and a decrease in payroll payables of RMB44.3 million as the Target Group had less employees due to its structure adjustment and efficiency improvement.

As at 31 October 2025, RMB40.6 million, or 50.2%, of the Target Group's other payables as at 30 June 2025 were subsequently settled.

Refund Liabilities

The Target Group's refund liabilities represent sales rebates it expected to offer to certain customers which were not contractually qualified to be redeemed by the relevant customers yet. When the sales rebates become contractually qualified to be redeemed by the relevant customers, the amount of rebates will be reclassified as other payables before the Target Group makes the payment in accordance with HKFRS Accounting Standards. The Target Group's refund liabilities decreased from RMB37.1 million as at 31 December 2022 to RMB31.8 million as at 31 December 2023, primarily because the Target Group accelerated its settlement of sales rebates. The Target Group's refund liabilities increased from RMB31.8 million as at 31 December 2023 to RMB50.1 million as at 31 December 2024, primarily in line with the increase in sale revenue of its products. The Target Group's refund liabilities decreased from RMB50.1 million as at 31 December 2024 to RMB26.3 million as at 30 June 2025 primarily align with its revenue trends.

Tax Payables

The Target Group's tax payables as at the balance sheet dates reflects the level of tax payables at the time. The Target Group's tax payables increased from RMB20.7 million as at 31 December 2022 to RMB29.1 million as at 31 December 2023, and further to RMB60.9 million as at 31 December 2024, and then increased to RMB93.9 million as at 30 June 2025.

Liability Component of Puttable Ordinary Shares

The liability component of puttable ordinary shares represents the discounted value of expected redemption consideration for the puttable ordinary shares the Target Group issued in August 2020 upon the exercise of the New 2016 ABAX Warrant, the New 2017 ABAX Warrant and the CS Mezzanine Warrants. In November 2021, the Shares in relation to the New 2017 ABAX Warrant were repurchased by the Target Group. In October 2022, the Shares in relation

FINANCIAL INFORMATION OF THE TARGET GROUP

to the CS Mezzanine Warrants were repurchased by the Target. Accordingly, the liability component of puttable ordinary shares amounted to RMB69.6 million as at 31 December 2022. In January 2023, the Shares in relation to the New 2016 ABAX Warrant were repurchased by the Target Group. Accordingly, the Target Group no longer recorded liability component of puttable ordinary shares as at 31 December 2023 and 2024, and 30 June 2025. See “– Indebtedness – Bank and Other Borrowings” for details.

Lease Liabilities

The Target Group’s lease liabilities are in relation to its office premises and manufacturing facilities. Under HKFRS 16, the Target Group recognises lease liabilities with respect to all leases, except for short term leases and leases of low value assets. As at 31 December 2022, 2023 and 2024, and 30 June 2025, the Target Group recorded lease liabilities of RMB23.0 million, RMB38.7 million, RMB41.0 million and RMB54.7 million, respectively.

Other Liabilities

The Target Group’s other liabilities represent (i) the non-current portion of a milestone payment obligation to Shionogi, the licensor of Mulpleta. See “Business of the Target Group – Acquisition and In-licensing Arrangements – Acquisition Arrangements – Mulpleta” for more details; and (ii) the deferred and amortised government grants received as financial subsidies for capital expenditure incurred for the machineries. As at 31 December 2023 and 2024, and 30 June 2025, the Target Group recorded other liabilities of RMB40.7 million, RMB40.1 million and RMB42.9 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

In view of the cash generated/to be generated from operating activities and the currently available financial resources, the Directors of the Enlarged Group have confirmed that the Enlarged Group have sufficient working capital for present requirements for at least the next 12 months commencing from the date of this circular.

The Target Group’s primary uses of cash during the Track Record Period were to fund its working capital, expand its product portfolio and repay bank loans. During the Track Record Period, the Target Group primarily funded its working capital requirement from its operating cash flow, bank loans and other borrowings. As at 31 October 2025, being the latest practicable date for determining the Target Group’s indebtedness, the Target Group’s cash and cash equivalents amounted to RMB148.0 million. The Target Group monitors its uses of cash and cash flows on a regular basis and strives to maintain an optimum liquidity that can meet its working capital needs.

FINANCIAL INFORMATION OF THE TARGET GROUP

Although the Target Group had net current liabilities as at 31 December 2022, 2023, and 2024, and 30 June 2025, the Target Directors believe that the working capital available to it is sufficient at present and for at least the next 12 months from the date of this circular, taking into account the financial resources available to it, including internally generated funds, the available banking and other facilities. Details of these factors are set out below:

- *Decreasing bank and other borrowings for one-time acquisition.* The Target Group obtained certain interest-bearing bank and other borrowings to finance the Target Group's strategic acquisition of long-term assets relating to Vancocin and Ceclor in October 2019 and relating to FPN in May 2020, and the relevant liabilities are reflected on the Target Group's balance sheet as interest-bearing bank and other borrowings and liability component of puttable ordinary shares (the "Acquisition Borrowings"). Please refer to "– Indebtedness – Bank and Other Borrowings" and "– Description of Certain Consolidated Statement of Financial Position Items – Liability Component of Puttable Ordinary Shares" of this section and note 28 and 29 to the Accountants' Report of the Target Group set out in Appendix I to this circular for details. These liabilities are one-time borrowings to achieve the Target Group's strategic business upgrade and development. After its acquisition of Vancocin, Ceclor and FPN, the Target Group generated increasing revenue, gross profit as well as cash from these products. Although the Target Group recorded relatively high net current liabilities of RMB930.4 million, RMB1,702.7 million, RMB1,251.8 million and RMB489.9 million as at 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, as part of the Target Group's long-term borrowings became due within one year, the total balance of Acquisition Borrowings continuously decreased as the Target Group settled a portion of its Acquisition Borrowings and settled all of the warrants attached to the Acquisition Borrowings. The Target Group's overall indebtedness position continuously optimised, with its debt-to-equity ratio decreasing from 1.24 as at 31 December 2022 to 0.95 as at 30 June 2025. The Target Group has leveraged refinancing measures to settle current portion of Acquisition Borrowings. For details, see "– Indebtedness".
- *Cash flow generated from operations.* As the Target Group optimised its product portfolio and cost structure, increased sales of its originator-branded products and continued to grow its business, the Target Group recorded net cash flow generated from operating activities in the amount of RMB944.8 million for the year ended 31 December 2022, RMB758.9 million for the year ended 31 December 2023, RMB915.7 million for the year ended 31 December 2024, and RMB295.1 million for the six months ended 30 June 2025, and expect to generate a steady inflow of cash from operations in the foreseeable future, which will be applied to the Target Group's working capital.

FINANCIAL INFORMATION OF THE TARGET GROUP

- Bank loans and facilities.** Historically, the Target Group has been able to obtain bank borrowings when needed, including short-term working capital loans, to refinance its loans. With its ability to obtain refinancing, and as the Target Group gradually settle its Acquisition Borrowings with net cash flow from operating activities, the Target Group believes its indebtedness and liquidity will eventually reach an optimal level in the future. The Target Group does not foresee any impediment in continuing to do so in the future.
- Stringent cash management.** The Target Group closely monitors and manages its cash position and cash requirements to ensure that it has sufficient working capital for its operations. The Target Group's finance department is responsible for managing its working capital and the collection of its receivables and payables settlement. The Target Group reviews its cash position and cash requirements on a weekly basis to determine the usage and allocation of cash in the Target Group's operations, optimise its capital structure and meet its working capital needs. Based on the Target Group's weekly cash requirements, it will manage its receivables and payables settlement schedule. The Target Group also utilises short-term bank borrowings and obtains bank facilities to fulfil its cash needs as necessary.

Net Current Liabilities

The following table sets forth a summary of the Target Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2022	2023	2024	2025	2025
	RMB'000				(unaudited)
Current assets					
Inventories	368,073	306,151	552,776	534,866	467,944
Trade and bills receivables	362,835	367,810	319,524	137,475	283,470
Prepayments, other receivables and other assets	38,258	45,715	82,575	75,887	125,674
Amounts due from related parties	–	–	120	120	2,517
Due from the Controlling Shareholder	172,460	223,304	237,582	238,944	241,591
Pledged deposits	428	404	395,740	335,630	400

FINANCIAL INFORMATION OF THE TARGET GROUP

	As at 31 December			As at 30 June	As at 31 October
	2022	2023	2024	2025	2025
	RMB'000				(unaudited)
Cash and cash equivalents	537,635	467,127	111,703	778,462	148,013
Total current assets	1,479,689	1,410,511	1,700,020	2,101,384	1,269,609
	RMB'000				(unaudited)
	As at 31 December			As at 30 June	As at 31 October
	2022	2023	2024	2025	2025
Current liabilities					
Trade payables	248,173	187,764	332,164	196,142	154,523
Other payables and accruals	367,967	417,604	451,232	317,395	284,937
Refund liabilities	37,059	31,823	50,141	26,331	26,098
Interest-bearing bank and other borrowings	1,647,619	2,382,929	1,993,140	1,888,436	636,518
Dividends payable	10,813	49,525	50,264	50,144	49,693
Liability component of puttable ordinary shares	69,646	–	–	–	–
Tax payables	20,693	29,075	60,899	93,941	69,913
Lease liabilities	8,074	14,525	13,951	18,868	18,317
Total current liabilities	2,410,044	3,113,245	2,951,791	2,591,257	1,239,998
Net current (liabilities)/assets	(930,355)	(1,702,734)	(1,251,771)	(489,873)	29,610

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Group's net current liabilities increased from RMB930.4 million as at 31 December 2022 to RMB1,702.7 million as at 31 December 2023 primarily due to an RMB735.3 million increase in the current portion of interest-bearing bank and other borrowings primarily as its US\$105 million of mezzanine loan obtained in October 2022 and its US\$110 million plus HK\$120 million of senior term loan obtained in February 2023 became current liabilities as at 31 December 2023. Certain of these loans were repaid or extended in the second half of 2024. See "– Indebtedness" for details.

The Target Group's net current liabilities decreased from RMB1,702.7 million as at 31 December 2023 to RMB1,251.8 million as at 31 December 2024, primarily due to (i) a RMB389.8 million decrease in the current portion of interest-bearing bank and other borrowings due to repayment of certain bank loans, and (ii) a RMB246.6 million increase in inventories due to the increase in finished goods as the Target Group scaled up its production and prepared for the 2025 sales by proactively stocking up towards the end of 2024, partially offset by a RMB144.4 million increase in trade payables which was in line with the increase in sales and procurement.

The Target Group's net current liabilities decreased from RMB1,251.8 million as at 31 December 2024 to RMB489.9 million as at 30 June 2025, primarily due to a RMB666.8 million increase in cash and cash equivalents because the Target Group draw down new bank loans and accelerated the settlement of trade and bills receivables.

The Target Group turned from net current liabilities of RMB489.9 million as at 30 June 2025 to net current assets of RMB29.6 million as at 31 October 2025, primarily due to a RMB1,251.9 million decrease in interest-bearing bank and other borrowings and a RMB146.0 million increase in trade and bills receivables, partially offset by a RMB630.4 million decrease in cash and cash equivalents and a RMB335.2 million decrease in pledged deposits.

The Target Group believes it can improve its net current liabilities position through (i) net cash flow from operating activities. As the Target Group optimised its product portfolio and cost structure, increased sales of its originator-branded products and continued to grow its business, the Target Group recorded net cash flow generated from operating activities during the Track Record Period, and expect to generate a steady inflow of cash from operations in the foreseeable future. In addition, while its cost of sales generally fluctuated in line with product sales volume, in-house localised manufacturing and increasing optimisation of the Target Group's supply chain have enabled increased efficiency and streamlining of its cost structure during the Track Record Period, (ii) the Target Group's refinancing measures. The Target Group plans to obtain additional long-term financing facilities for working capital purposes and reduced its current liabilities, and (iii) stringent cash management. The Target Group closely monitors and manages its cash position and cash requirements to ensure that it has sufficient working capital for its operations. The Target Group's finance department is responsible for managing its working capital and the collection of its receivables and payables settlement. The Target Group reviews its cash position and cash requirements on a weekly basis to determine the usage and allocation of cash in the Target Group's operations, optimise its capital structure and meet its working capital needs. Based on the Target Group's weekly cash requirements, it will manage its receivables and payables settlement schedule. For details, see also "– Working Capital" above.

FINANCIAL INFORMATION OF THE TARGET GROUP

Cash Flows

The following table sets forth a summary of the Target Group's consolidated cash flow statements for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>			<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	745,136	810,535	975,552	572,372	433,605
Changes in working capital	221,211	(6,748)	(8,716)	(209,415)	(101,454)
Cash generated from operations	966,347	803,787	966,836	362,957	332,151
Tax paid	(21,534)	(44,922)	(51,109)	(20,899)	(37,059)
Net cash flows from operating activities	944,813	758,865	915,727	342,058	295,092
Net cash flows (used in)/generated from investing activities	(269,560)	(370,675)	(592,737)	(76,675)	41,753
Net cash flows (used in)/generated from financing activities	(731,608)	(462,204)	(683,178)	(229,188)	331,353
Net (decrease)/increase in cash and cash equivalents	(56,355)	(74,014)	(360,188)	36,195	668,198
Cash and cash equivalents at beginning of year/period	577,076	537,635	467,127	467,127	111,703
Effect of foreign exchange rate changes, net	16,914	3,506	4,764	1,916	(1,439)
Cash and cash equivalents at end of year/period	537,635	467,127	111,703	505,238	778,462

FINANCIAL INFORMATION OF THE TARGET GROUP

Operating Activities

For the six months ended 30 June 2025, the Target Group had net cash flows from operating activities of RMB295.1 million, primarily reflecting its profit before tax of RMB177.2 million, as adjusted for non-cash and non-operating items and income taxes paid. Adjustments for non-cash and non-operating items primarily included net finance costs of RMB94.0 million and amortisation of other intangible assets of RMB91.3 million. The amount was further adjusted by negative changes in working capital, including (i) a decrease of RMB151.0 million in other payables and accruals, (ii) a decrease of RMB131.5 million in trade payables, partially offset by a decrease of RMB182.1 million in trade and bills receivables.

For the year ended 31 December 2024, the Target Group had net cash flows from operating activities of RMB915.7 million, primarily reflecting its profit before tax of RMB482.5 million, as adjusted for non-cash and non-operating items and income taxes paid. Adjustments for non-cash and non-operating items primarily included net finance costs of RMB254.6 million and amortisation of other intangible assets of RMB157.5 million. The amount was further adjusted by negative changes in working capital, including (i) an increase of RMB222.2 million in inventories, and (ii) an increase in prepayments, other receivables and other assets of RMB34.7 million, partially offset by (i) an increase of RMB154.6 million in trade payables, (ii) a decrease of RMB49.0 million in trade and bills receivables, and (iii) an increase of RMB26.4 million in other payables and accruals.

For the year ended 31 December 2023, the Target Group had net cash flows from operating activities of RMB758.9 million, primarily reflecting its profit before tax of RMB331.0 million, as adjusted for non-cash and non-operating items and income taxes paid. Adjustments for non-cash and non-operating items primarily included net finance costs of RMB276.2 million and amortisation of other intangible assets of RMB117.1 million. The amount was further adjusted for negative working capital changes, including (i) a decrease of RMB60.9 million in trade payables, (ii) an increase of RMB6.9 million in prepayments, other receivables and other assets, (iii) a decrease of RMB5.2 million in refund liabilities, and (iv) an increase of RMB4.9 million in trade and bills receivables, partially offset by (i) a decrease in inventories of RMB59.0 million, and (ii) an increase of RMB12.2 million in other payables and accruals.

For the year ended 31 December 2022, the Target Group had net cash flows from operating activities of RMB944.8 million, primarily reflecting the Target Group's profit before tax of RMB325.3 million, as adjusted for non-cash and non-operating items and income taxes paid. Adjustments for non-cash and non-operating items primarily included net finance costs of RMB293.3 million, amortisation of other intangible assets of RMB103.8 million and reversal of equity-settled share-based payment expenses of RMB39.6 million. The amount was further adjusted by positive changes in working capital, including (i) a decrease of RMB168.8 million in trade and bills receivables, and (ii) an increase of RMB85.8 million in trade payables, and (iii) a decrease of RMB42.5 million in prepayments, other receivables and other assets, partially offset by (i) a decrease of RMB61.6 million in refund liabilities, and (ii) a decrease of RMB8.9 million in other payables and accruals.

FINANCIAL INFORMATION OF THE TARGET GROUP

Investing Activities

For the six months ended 30 June 2025, the Target Group's net cash generated from investing activities was RMB41.8 million, primarily attributable to withdraw of pledged deposits of RMB60.1 million, partially offset by the RMB23.9 million purchases of items of property, plant and equipment.

For the year ended 31 December 2024, the Target Group's net cash used in investing activities was RMB592.7 million, primarily attributable to (i) the RMB395.3 million placement of pledged deposits, and (ii) the RMB161.2 million of purchases of other intangible assets.

For the year ended 31 December 2023, the Target Group's net cash used in investing activities was RMB370.7 million, primarily attributable to (i) loans to the Controlling Shareholder of RMB208.5 million, and (ii) an increase of RMB124.6 million in other long-term assets.

For the year ended 31 December 2022, the Target Group's net cash used in investing activities was RMB269.6 million, primarily attributable to (i) loans to the Controlling Shareholder of RMB172.5 million, (ii) an increase of RMB49.0 million in other long-term assets, and (iii) the RMB48.4 million of purchases of items of property, plant and equipment.

Financing Activities

For the six months ended 30 June 2025, the Target Group's net cash generated from financing activities was RMB331.4 million, primarily due to the RMB1,142.7 million of new bank loans and other borrowings, partially offset by (i) the RMB737.3 million of repayment of bank loans and other borrowings, and (ii) the RMB62.6 million of interest paid.

For the year ended 31 December 2024, the Target Group's net cash used in financing activities was RMB683.2 million, primarily due to (i) the RMB1,653.4 million of repayment of bank loans and other borrowings, and (ii) the RMB256.8 million of interest paid, partially offset by the RMB1,245.1 million of new bank loans and other borrowings.

For the year ended 31 December 2023, the Target Group's net cash used in financing activities was RMB462.2 million, primarily due to (i) the RMB1,910.2 million of repayment of bank loans and other borrowings, and (ii) the RMB184.4 million of interest paid, partially offset by the RMB1,817.5 million of new bank loans and other borrowings.

For the year ended 31 December 2022, the Target Group's net cash used in financing activities was RMB731.6 million, primarily attributable to (i) the RMB874.9 million of repayment of bank loans and other borrowings, and (ii) the RMB260.2 million of interest paid, partially offset by the RMB571.0 million of new bank loans and other borrowings.

INDEBTEDNESS

As at 31 October 2025, the Target Group had total outstanding bank and other borrowings of approximately RMB1,480.1 million and lease liabilities of approximately RMB48.2 million. The Target Group had unutilized banking facilities of RMB219.0 million as at 31 October 2025.

FINANCIAL INFORMATION OF THE TARGET GROUP

The following table sets forth the balance and breakdown of the Target Group's indebtedness as of the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2022	2023	2024	2025	2025
			RMB'000		(unaudited)
Interest-bearing bank and other borrowings	2,369,670	2,382,929	1,993,140	2,419,156	1,480,063
Lease liabilities	23,017	38,658	40,989	54,662	48,171
Total	<u>2,392,687</u>	<u>2,421,587</u>	<u>2,034,129</u>	<u>2,473,818</u>	<u>1,528,234</u>

The Target Directors have confirmed that (i) the Target Group had not defaulted or delayed in any payment or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date; and (ii) up to the Latest Practicable Date, except as disclosed below in “– Bank and Other Borrowings”, there has been no material change in indebtedness and contingent liabilities of the Target Group since 31 October 2025.

Bank and Other Borrowings

The Target Group's bank loans and other borrowings were primarily used for its acquisitions of drug assets and to supplement its working capital during the Track Record Period. The following tables set forth the breakdown of the Target Group's bank and other borrowings as at the dates indicated.

	As at 30 June 2025		
	Effective interest rate	Maturity	Amount
	(%)		RMB'000
Current			
Bank loans – unsecured	1-5	2025-2026	542,529
Bank loans – secured ⁽³⁾	4-5	2025	333,284
Current portion of long-term bank loans			
– unsecured	4	2025	49,500
Current portion of long-term bank loans			
– secured ⁽²⁾⁽³⁾	7-19	2025	963,123
			<u>1,888,436</u>

FINANCIAL INFORMATION OF THE TARGET GROUP

As at 30 June 2025			
	Effective interest rate	Maturity	Amount
	(%)		RMB'000
Non-current			
Other secured bank loans ⁽⁴⁾	7-8	2026	530,720
			<u>530,720</u>
Total			<u><u>2,419,156</u></u>

As at 31 December 2024			
	Effective interest rate	Maturity	Amount
	(%)		RMB'000
Current			
Bank loans – unsecured	1-5	2025	404,809
Bank loans – secured ⁽³⁾	4-5	2025	420,406
Current portion of long-term bank loans			
– unsecured	4-5	2025	89,990
Current portion of long-term bank loans			
– secured ⁽²⁾⁽³⁾	9-19	2025	<u>1,077,935</u>
			<u><u>1,993,140</u></u>

As at 31 December 2023			
	Effective interest rate	Maturity	Amount
	(%)		RMB'000
Current			
Bank loans – unsecured	3-5	2024	621,344
Current portion of long-term bank loans			
– unsecured	4	2024	89,490
Current portion of long-term bank loans			
– secured ⁽²⁾⁽³⁾	10-20	2024	<u>1,672,095</u>
			<u><u>2,382,929</u></u>

FINANCIAL INFORMATION OF THE TARGET GROUP

As at 31 December 2022			
	Effective interest rate	Maturity	Amount
	(%)		RMB'000
Current			
Bank loans – unsecured	2-5	2023	508,493
Current portion of long-term bank loans – secured ⁽²⁾	13	2023	1,139,126
Non-current			
Other secured bank loans ⁽³⁾	18-20	2024	722,051
Total			<u>2,369,670</u>

Notes:

- (1) In April 2020, the Target Group entered into a mezzanine loan agreement with Credit Suisse AG, Singapore Branch (“**Credit Suisse**”) with total commitment amount of US\$110.0 million. The loan was guaranteed by Mr. Ni Xin and secured by, among others, mortgages over the issued shares (including any other shares issued in the future) and the assets of Excellent Apex Group Limited. In October 2022, the Target Group repaid the loans and all pledges/guarantees provided by the aforementioned affiliated parties were fully released, and all the puttable ordinary shares issued in prior years in relation to the loan were repurchased.
- (2) In February 2020, Maxi Vantage Limited, a subsidiary of the Target Group, entered into a loan agreement with Credit Suisse, among others, amounting to US\$200 million for a period of three years. In April 2020, Maxi Vantage Limited upsized the loan to US\$220 million. For details of the guarantors of and security on the loan, see note 28(b) to the Accountants’ Report of the Target Group set out in Appendix I to this circular. As at 31 December 2022, the outstanding balance amounted to RMB1,139.1 million.

In February 2023, the Target Group refinanced the loan borrowed in February 2020 with a new senior term loan led by Bank of China Limited, Macau Branch and Bank of China Limited, Suzhou Industrial Park Branch with a total credit facility of US\$150 million. The facility has a term of 18 months, with option to extend the term to 31 months upon satisfactory test results on certain financial terms. In February 2023, the Target Group received US\$110 million under the loan, with an interest rate of SOFR plus 3%. In March 2023, the Target Group received HK\$120 million under the loan with an interest rate of HIBOR plus 3%. The guarantee and security measures for this loan include a guarantee from Mr. Ni, mortgage of the Target Group’s manufacturing facilities in Suzhou, and pledge of certain equipment and trademarks and the Target Group’s equity interest in some of its subsidiaries.

Before August 2024, the Target Group repaid part of the senior term loan. In August 2024, the Target Group extended the borrowings which ought to be due in August 2024 to September 2025. As at 31 December 2023 and 2024 and 30 June 2025, the outstanding balance amounted to RMB864.6 million, RMB667.9 million and RMB536.9 million, respectively. See note 28(b) to the Accountants’ Report of the Target Group set out in Appendix I to this circular for details.

In July 2025, the Target repaid the loans and part of pledges/guarantees provided by the aforementioned affiliated parties were still in the process of being released.

- (3) In October 2022, the Target Group entered into a loan agreement with Abax and SPDB International (Hong Kong) Limited, to obtain loans of US\$55 million and US\$50 million, respectively, with a required internal rate of return of 17.5%. The loan is guaranteed by Mr. Ni. For detailed guarantees of and security on the loan, see note 28(c) to the Accountants’ Report of the Target Group set out in Appendix I to this circular. Such loans after deducting the amount expressly indicated in the relevant utilisation requests for payment of interest of the loans were remitted directly to Credit Suisse, as part of the consideration to settle the mezzanine loan of US\$110 million with Credit Suisse, SPDB

FINANCIAL INFORMATION OF THE TARGET GROUP

International (Hong Kong) Limited and Ace City Venture Limited described in the note (2) above. The remaining part of the previous mezzanine loan was settled by cash. In July 2024, the Target Group had entered into an agreement with the lender to extend the due date of US\$50 million mezzanine loan to October 2025.

In October 2024, the Target Group repaid the loan borrowed from Abax in October 2022 with a required internal rate of return of 17.5% and an outstanding balance of US\$67.5 million (including principal of US\$55 million plus accrued interest) mainly through a new loan of US\$55 million from the borrower of the senior term loan. In connection with this new loan, the Target Group pledged cash equal to the aggregate amount of the outstanding principal and three months' interest to the new borrower. The net interest rate of the new loan (considering the loan interest rate of 4.5% and the interest income from the pledged cash of 3%) was 1.5%. As at 31 December 2022, 2023 and 2024, and 30 June 2025, the outstanding balance from SPDB International (Hong Kong) Limited, Abax and Bank of China Limited, Macau Branch amounted to RMB722.1 million, RMB807.5 million, RMB802.5 million and RMB759.5 million, respectively.

In July 2025, the Target repaid the loan from Bank of China Limited Macau Branch amounting to RMB333.3 million and all pledged cash was released.

- (4) In June 2025, Maxi Vantage Limited refinanced the loan borrowed in February and March 2023 with a new senior term loan led by Shanghai Pudong Development Bank with a total credit facility of RMB762.8 million. The facility has a term of 21 months, with option to extend the term to 36 months upon satisfactory test results on certain financial terms. A loan with an amount of RMB543.8 million was drawn down by the Target Group in June 2025, which is interest bearing at 5.8%. The loans were guaranteed by Mr. Ni Xin, the Target, Eddingpharm (Asia) Macau, Eddingpharm Group Company Limited, Maxi Vantage (Suzhou) Co., Ltd., Eddingpharm (Suzhou) Co., Ltd. (Formerly known as Suzhou Ceclor Pharmaceutical Co., Ltd.), Eddingpharm Suzhou Co., Ltd., Shanghai Eddingpharm Co., Ltd., Vancocin Italia S.r.L., and Excellent Apex Group Limited, secured by the mortgage of the manufacturing facilities in Suzhou, and the pledge of certain equipment, trademarks and the Target's equity interest in some of the subsidiaries.

As at 30 June 2025, the outstanding balance was RMB530.7 million.

The Target Group's bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans, including conditions of utilisation, terms relating to repayment and prepayment of the loan, interest rates, guarantees, indemnity and covenants relating to access to information and the Target Group's financial condition. The Target Directors confirm that the Target Group did not experience any default in payment of bank borrowings nor failure to comply with the terms, conditions and covenants of any loan agreements that would have a material and adverse effect on the Target Group's business, operations and prospects during the Track Record Period and up to the Latest Practicable Date. Given the Target Group's credit history and its current credit status, the Target Group believes that it will not encounter any major difficulties in obtaining additional bank borrowings in the future.

FINANCIAL INFORMATION OF THE TARGET GROUP

As at the Latest Practicable Date, except as disclosed in this subsection “– Indebtedness”, the Target Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since 31 October 2025, the latest practicable date for the purpose of the indebtedness statement, and up to the Latest Practicable Date, there had been no material change to the Target Group’s indebtedness.

Lease Liabilities

The Target Group’s lease liabilities are in relation to its office premises and manufacturing facilities. As at 31 December 2022, 2023 and 2024, 30 June 2025 and 31 October 2025, the Target Group recorded current lease liabilities of RMB8.1 million, RMB14.5 million, RMB14.0 million, RMB18.9 million and RMB18.3 million, respectively. As at the same dates, the Target Group recorded non-current lease liabilities of RMB14.9 million, RMB24.1 million, RMB27.0 million, RMB35.8 million and RMB29.9 million respectively.

CAPITAL EXPENDITURE

The Target Group’s capital expenditure during the Track Record Period primarily related to construction and upgrade of manufacturing facilities, procurement of equipment and machinery, as well as intangible assets in connection with (i) the Target Group’s acquisition of FPN in 2020, and (ii) Vascepa and Mulpleta, as they received NDA approval in 2023, and accordingly, the amount the Target Group paid to obtain drug rights of Vascepa and Mulpleta were reclassified from prepayment into intangible assets in 2023. The Target Group expects that the Target Group’s capital expenditure for 2025 will primarily be used for the expansion and upgrade of its manufacturing facilities.

	For the year ended 31 December			For the six months ended 30 June
	2022	2023	2024	2025
	<i>RMB’000</i>			
Construction in progress	58,297	33,236	28,405	10,857
Office and other equipment	120	577	834	544
Motor vehicles	–	–	452	7,348
Leasehold improvements	–	4,631	337	–
Plant and machinery	53	–	47	689
Other intangible assets	2,686	347,838	297,116	241
Total	61,156	386,282	327,191	19,679

- (1) The amount of the Target Group’s capital expenditure represents additions of property, plant and equipment, comprising construction in progress, office and other equipment, motor vehicles, leasehold improvements, plant and machinery, as well as other intangible assets.

FINANCIAL INFORMATION OF THE TARGET GROUP

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, the Target Group had two material related party transactions with Mr. Ni. The transactions were (i) a loan the Target Group provided to Mr. Ni in 2022 and was settled in early 2023 by way of Share repurchase by the Target Group, see “History, Development and Corporate Structure of the Target Group – Major Shareholding Changes of the Target Group – Series E Share Repurchase” for details, which will be repaid to the Target Group immediately prior to Proposed Merger, see “Relationship With Controlling Shareholders of the Enlarged Group – Independence From Controlling Shareholders of the Enlarged Group – Financial Independence” for details and (ii) another loan the Target Group provided to Mr. Ni during March and April 2023 in an aggregate amount of US\$30.45 million, which is expected to be repaid immediately prior to the Proposed Merger, see “Relationship with Controlling Shareholders of the Enlarged Group – Independence from Controlling Shareholders of the Enlarged Group – Financial Independence” for details. In addition, in May 2023, the Target Group entered into a sublicense agreement with respect to Jing Zhu Da with Taizhou EOC, who was granted by Syndax Pharmaceuticals, Inc. an exclusive sublicense in China to carry out the development, regulatory approval, commercialisation, and manufacturing activities with respect to Jing Zhu Da. The Target Group’s upfront payment of RMB40.0 million was recognised as prepayment as at 31 December 2023 and was reclassified into intangible assets after Jing Zhu Da obtained NDA approval in April 2024. For details of the collaboration with Taizhou EOC, see “Business of the Target Group – Acquisition and In-Licensing Arrangements – In-licensing Arrangements – Jing Zhu Da”.

The following table sets forth details of the Target Group’s amounts due from related parties as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000			
Due from Mr. Ni (<i>non-trade nature</i>) ⁽¹⁾	172,460	223,304	237,582	238,944
Prepayments for medicine license: Taizhou EOC Pharma Co., Ltd. (<i>trade nature</i>) ⁽²⁾	–	40,000	–	–
Amounts due from a related party: Taizhou EOC Pharma Co., Ltd. (<i>trade nature</i>) ⁽³⁾	–	–	120	120

FINANCIAL INFORMATION OF THE TARGET GROUP

Notes:

- (1) These loans are expected to be repaid prior to the Proposed Merger. See note 23 to the Accountants' Report of the Target Group set out in Appendix I to this circular as well.
- (2) The balance was reclassified into intangible assets after Jing Zhu Da obtains NDA approval.
- (3) These amounts refer to amounts due to the Target Group for promotion activities for Jing Zhu Da since 2024.

The Target Directors are of the view that these related party transactions were conducted on an arm's-length basis and would not distort its historical results or make its historical results not reflective of the Target Group's future performance.

KEY FINANCIAL RATIOS

The following table set forth the Target Group's key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2022	2023	2024	2025
Gross profit margin ⁽¹⁾	66.0%	65.4%	67.4%	66.9%
Net profit margin ⁽²⁾	14.8%	13.4%	15.2%	10.1%
Return on average equity ⁽³⁾	17.4%	15.9%	17.7%	9.3% ⁽⁸⁾
Return on average asset ⁽⁴⁾	6.1%	6.0%	7.3%	4.1% ⁽⁸⁾
Current ratio ⁽⁵⁾	0.61	0.45	0.58	0.81
Quick ratio ⁽⁶⁾	0.46	0.35	0.39	0.60
Debt-to-equity ratio ⁽⁷⁾	1.24	1.21	0.83	0.95

- (1) Equals gross profit for the year divided by revenue for the period and multiplied by 100%.
- (2) Equals profit for the year divided by revenue for the period and multiplied by 100%.
- (3) Equals profit for the year divided by average balance of total equity at the beginning and the end of that period and multiplied by 100%.
- (4) Equals profit for the year divided by average balance of total assets at the beginning and the end of that period and multiplied by 100%.
- (5) Current ratio represents total current assets divided by total current liabilities as at the same date.
- (6) Quick ratio represents total current assets less inventories and divided by total current liabilities as at the same date.
- (7) Debt-to-equity ratio is calculated by the total bank and other borrowings divided by the total equity as at the end of each period.
- (8) These ratios have been annualized by dividing profit for the period by 182 and multiplying by 365, then divided by average balance of total equity or total assets (as the case may be) at the beginning and the end of that period and multiplied by 100%.

FINANCIAL INFORMATION OF THE TARGET GROUP

Gross Profit Margin and Net Profit Margin

In 2022, 2023 and 2024, and the six months ended 30 June 2024 and 2025, the Target Group's gross profit margin was 66.0%, 65.4%, 67.4%, 67.3% and 66.9%, respectively, and the Target Group's net profit margin was 14.8%, 13.4%, 15.2%, 19.8% and 10.1%, respectively. For details, see "– Results of Operations".

Return on Average Equity

The Target Group's return on average equity decreased slightly from 17.4% in 2022 to 15.9% in 2023, primarily due to the Target Group's increased total equity. The Target Group's return on average equity then increased to 17.7% in 2024, primarily due to the Target Group's increased net profit. The Target Group's return on average equity then decreased to 9.3% in the six months ended 30 June 2025, primarily due to the Target Group's increased total equity.

Return on Average Assets

The Target Group's return on average assets remained relatively stable at 6.1% in 2022 and 6.0% in 2023. The Target Group's return on average assets increased from 6.0% in 2023 to 7.3% in 2024, which was primarily due to the Target Group's increased net profit. The Target Group's return on average assets then decreased to 4.1% in the six months ended 30 June 2025, which was primarily due to the Target Group's decreased net profit.

Current Ratio and Quick Ratio

The Target Group's current ratio decreased from 0.61 as at 31 December 2022 to 0.45 as at 31 December 2023. The Target Group's quick ratio decreased from 0.46 as at 31 December 2022 to 0.35 as at 31 December 2023. The decreases in the Target Group's current ratio and quick ratio were primarily because the current portion of the Target Group's bank and other borrowings increased during the same periods as the Target Group's bank and other borrowings successively approached maturity. The Target Group's current ratio increased from 0.45 as at 31 December 2023 to 0.58 as at 31 December 2024. The Target Group's quick ratio also increased from 0.35 as at 31 December 2023 to 0.39 as at 31 December 2024. The increases in the Target Group's current ratio and quick ratio were primarily because the current portion of the Target Group's bank and other borrowings decreased. The Target Group's current ratio increased from 0.58 as at 31 December 2024 to 0.81 as at 30 June 2025. The Target Group's quick ratio also increased from 0.39 as at 31 December 2024 to 0.60 as at 30 June 2025. The increases in the Target Group's current ratio and quick ratio were primarily because the current portion of the Target Group's bank and other borrowings decreased.

Debt-to-equity Ratio

The Target Group's debt-to-equity ratio remained relatively stable at 1.24 as at 31 December 2022 and 1.21 as at 31 December 2023. The Target Group's debt-to-equity ratio decreased to 0.83 as at 31 December 2024, which was primarily because (i) the Target Group's total bank and other borrowings continuously decreased during the same periods as the Target Group had been repaying its bank and other borrowings with cash generated from its business operation, and (ii) the Target Group's equity increased as the Target Group generated profit from its business operation. The Target Group's debt-to-equity ratio remained stable at 0.95 as at 30 June 2025.

FINANCIAL INFORMATION OF THE TARGET GROUP

CAPITAL COMMITMENTS

The Target Group's capital commitments during the Track Record Period primarily related to contractual commitments for the procurement of equipment and machinery for its manufacturing and research and development, and intangible assets. The following table sets forth the Target Group's capital commitments as at the dates indicated:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>			
Contracted, but not provided for: Plant and machinery	13,814	10,434	7,632	3,859
Intangible assets	54,095	43,906	33,146	17,699
Total	67,909	54,340	40,778	21,558

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, except as disclosed in this circular, the Target Group had no material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Target Group is exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk as set out below. The Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see note 40 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

Foreign Currency Risk

The Target Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

For details and the sensitivity analysis of the Target Group's profit before tax and its equity to a reasonably possible change in the US\$ and EUR exchange rate for each period during the Track Record Period, with all other variables held constant, see note 40 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

Credit Risk

The Target Group trades only with recognised and creditworthy third parties. It is the Target 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 Target Group's exposure to bad debts is not significant.

FINANCIAL INFORMATION OF THE TARGET GROUP

For details and the analysis of credit quality and the maximum exposure to credit risk based on the Target Group credit policy at the end of each period during the Track Record Period, see note 40 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

Liquidity Risk

The Target Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Target Group closely monitors interest-bearing bank and other borrowings which will mature in 12-month period, and makes reliable plan to extend or refinance the debts. For details and the maturity profile of the Target Group financial liabilities as at the end of each period during the Track Record Period, see note 40 to the Accountants' Report of the Target Group set out in Appendix I to this circular.

DISTRIBUTABLE RESERVES

As at 30 June 2025, the Target Group had distributable reserves of RMB937.7 million.

DIVIDENDS

In August 2022, a dividend of US\$10 million was declared by the Target Group. In February 2023, another dividend of US\$10 million was declared by the Target Group. As at the Latest Practicable Date, US\$8.4 million of the first dividend had been paid and US\$4.6 million of the second dividend had been paid. The Target Group plans to fully settle the unpaid portion of such dividends before the Proposed Merger.

As advised by the Target Group's Cayman Islands counsel, under the Companies Act and the Memorandum and Articles, the Target Group may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid out of share premium account if such payment would result in the Target being unable to pay its debts as they fall due in the ordinary course of business. The Target in general meeting may from time to time declare any dividends to be paid to Shareholders. Any declaration and payment as well as the amount of dividends will be subject to the Target Group's constitutional documents, the Companies Act and any contractual restrictions on the payment of dividends.

Future dividend payments may also depend upon the availability of dividends received from the Target Group Companies in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting standards, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS Accounting Standards. PRC laws also require foreign invested enterprises to set aside part of their net profit to make up for losses (if any) and as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Target Group Companies may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank

FINANCIAL INFORMATION OF THE TARGET GROUP

credit facilities or other agreements that the Target Group or the Target Group Company may enter into in the future. There can be no assurance that will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Other than as disclosed herein, the Target Group does not have any dividend policy or intention to declare or pay any dividends in the near future.

TRANSACTION EXPENSES

Transaction expenses represent listing fees, professional fees and other expenses incurred or to be incurred in connection with the reverse takeover. Transaction expenses in relation to the reverse takeover is estimated to be approximately HK\$102.3 million, of which HK\$46.6 million are expected to be reflected in the consolidated statements of profit or loss after the Track Record Period. The estimated transaction expenses are the latest best estimate and are for reference only.

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma net assets of the Enlarged Group as at 30 June 2025 would be approximately RMB3,454.6 million, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group as if the Proposed Merger were completed on 30 June 2025. The unaudited pro forma profit for the six months ended 30 June 2025 of the Enlarged Group would be approximately RMB15.3 million, which is extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as if the Proposed Merger were completed on 1 January 2025. For details in relation to the pro forma financial information of the Enlarged Group, please refer to Appendix III “Pro Forma Financial Information of the Enlarged Group” of this circular.

MATERIAL ADVERSE CHANGE

The Target Directors confirm that, up to the date of this circular, as far as they are aware, there has been no material adverse change in its financial, trading position or prospects since 30 June 2025, being the date of its latest audited consolidated financial statements as set out in “Appendix I – Accountants’ Report of the Target Group” to this circular.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Target Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

(i) As of 31 December 2024

Authorised Share Capital

Number of Shares	Aggregate nominal value of Shares
<u>1,000,000,000</u> Shares of US\$0.00002 each	<u>US\$20,000.00</u>

Issued Share Capital

Number of Shares	Aggregate nominal value of Shares
<u>520,358,899</u> Shares of US\$0.00002 each	<u>US\$10,407.17798</u>

(ii) As of the Latest Practicable Date

Authorised Share Capital

Number of Shares	Aggregate nominal value of Shares
<u>1,000,000,000</u> Shares of US\$0.00002 each	<u>US\$20,000.00</u>

Issued Share Capital

Number of Shares	Aggregate nominal value of Shares
<u>528,291,792</u> Shares of US\$0.00002 each	<u>US\$10,565.83584</u>

SHARE CAPITAL

(iii) Immediately following the Merger Closing

Authorised Share Capital

Number of Shares	Aggregate nominal value of Shares
<u>3,000,000,000</u> Shares of US\$0.00002 each	<u>US\$60,000.00</u>

Issued Share Capital

Number of Shares	Aggregate nominal value of Shares
528,291,792 ⁽¹⁾ Shares of US\$0.00002 each in issue as of the Latest Practicable Date	US\$10,565.83584
<u>1,773,136,744⁽²⁾</u> Consideration Shares of US\$0.00002 each to be issued upon the Merger Closing	<u>US\$35,462.73488</u>
<u>2,301,428,536</u>	<u>US\$46,028.57072</u>

Notes:

- (1) Assuming none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested.
- (2) Based on the Presumed Maximum Share Exchange Ratio.

RANKING

The Consideration Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this circular, and will qualify and rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this circular.

OUTSTANDING CONVERTIBLE SECURITIES

Save as disclosed in the section headed “9. Share Schemes – 9.1 Pre-Existing Company Share Schemes” in Appendix VI to this circular and the Shares that are issuable pursuant to the ABT Subscription and Stock Purchase Agreement, the Company has no outstanding options, warrants, derivatives or other conversion rights over any part of the Company’s share capital as at the Latest Practicable Date.

SHARE CAPITAL

TREASURY SHARES

As at the Latest Practicable Date, no treasury Share was held by the Company or its subsidiary or through their agents or nominees.

PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires that there must be an open market in the securities for which listing is sought. This will normally mean that for a class of securities new to listing, at least a minimum prescribed percentage of that class of securities must be held by the public at the time of listing. Where the expected market value of the class of securities at the time of listing is over HK\$6,000,000,000 but not exceeding HK\$30,000,000,000, the minimum prescribed percentage is determined at the higher of: (i) the percentage that would result in the expected market value of such securities held by the public to be HK\$1,500,000,000 at the time of listing; and (ii) 15%.

On the basis of (i) the market capitalization of the Company of approximately HK\$1,767.1 million, calculated based on the average closing price of the Company's shares for the 10 trading days immediately preceding the Latest Practicable Date, being HK\$3.345 and the number of issued Shares of 528,291,792 as at the Latest Practicable Date and (ii) the valuation of the Target Company of US\$1,000,000,000 (equivalent to approximately HK\$7,789.8 million) as at 30 November 2025, as set out in the valuation report prepared by Quam Capital Limited, included in Appendix V of the Circular, the indicative market value of the Shares at the time of Listing will be HK\$9,556.9 million for the purpose of demonstrating compliance with Rule 8.08 of the Listing Rules. Accordingly, at least 15% of the total number of issued Shares must be held by the public at the time of Listing.

Pursuant to Rule 8.24 of the Listing Rules, Shares held by "core connected persons" of the Enlarged Group shall not be regarded as Shares "in public hands" upon the Merger Closing. Accordingly, immediately upon the Merger Closing, the Shares held by (i) Mr. Ni, Talent Creation and Chinapharm Group (being the Target Controlling Shareholders); and (ii) OrbiMed Asia Partners and OrbiMed III (being substantial Shareholders) will not be regarded as Shares "in public hands". Accordingly, the public float of the Company will be approximately 52.28%. It is expected that no less than 15% of the issued Shares of the Company will be in the hands of the public upon the Merger Closing. For details, please refer to the shareholding table set out in the section headed "Letter from the Board – Effect of the Proposed Merger on the Shareholding Structure of the Company."

SHARE CAPITAL

FREE FLOAT

Rule 8.08A of the Listing Rules requires that there must be sufficient shares for which listing is sought by a new applicant that are held by the public and available for trading upon listing. This will normally mean that the portion of the class of shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing must (i) represent at least 10% of the total number of issued Shares in the class of shares for which listing is sought (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50,000,000; or (ii) have an expected market value at the time of listing of not less than HK\$600,000,000.

Pursuant to the Target Controlling Shareholders Undertaking, the Target Controlling Shareholders have undertaken to the Company that, they shall not, and shall procure that the, relevant registered Shareholder(s) not to, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Consideration Shares held by the Target Controlling Shareholders in the Lock-up Period (being the period commencing from the Merger Effective Time and ending on the date which is twelve (12) months after the Merger Closing Date), further details of which are set out in the section headed “Letter from the Board”. Immediately after the Proposed Merger, based on the Presumed Maximum Share Exchange Ratio, assuming that there is no Taxable Target Shareholder, the Target Controlling Shareholders will own 856,999,254 Shares, representing approximately 37.24% of the total issued share capital of the Company.

On the basis that immediately upon the Merger Closing, only the Shares held by the Target Controlling Shareholders will be subject to lock-up undertakings as set out above and all their Shares are excluded for the purpose of satisfying the free float requirement and the Shares held by OrbiMed Asia Partners and OrbiMed III (being substantial Shareholders) will not be regarded as Shares “in public hands”, and given the abovementioned indicative market value of the Shares at the time of Listing, it is expected that the Company will satisfy the free float requirement under Rule 8.08A of the Listing Rules.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report received from the Target's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GENOR BIOPHARMA HOLDINGS LIMITED, MORGAN STANLEY ASIA LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Edding Group Company Limited (the "Target") and its subsidiaries (together, the "Target Group") set out on pages I-4 to I-101, 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 Target Group for each of the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target as at 31 December 2022, 2023 and 2024 and 30 June 2025 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-101 forms an integral part of this report, which has been prepared for inclusion in the circular of Genor Biopharma Holdings Limited (the "Company") dated 5 December 2025 (the "Circular") in connection with the Proposed Merger as defined in the Circular.

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.

The Underlying Financial Statements of the Target Group for the Relevant Periods as defined on page I-4, on which the Historical Financial Information is based, were prepared by the directors of the Target (the "Directors"). The Directors are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements that are 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* issued by 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 Target Group and the Target as at 31 December 2022, 2023, 2024 and 30 June 2025 and of the financial performance and cash flows of the Target 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group, which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2024 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our 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

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

the HKICPA. A review 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. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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

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 Target in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

5 December 2025

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 Target 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 ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (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.

1. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended			Six months	Six months
		31	Year ended	Year ended	ended	ended
		December	31 December	31 December	30 June	30 June
		2022	2023	2024	2024	2025
Notes		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	5	2,073,754	2,303,788	2,546,044	1,373,322	1,135,542
Cost of sales	7	(705,320)	(798,095)	(829,759)	(449,195)	(375,925)
Gross profit		1,368,434	1,505,693	1,716,285	924,127	759,617
Other income and gains	6	3,724	10,813	105,292	26,381	13,351
Selling and distribution expenses		(545,653)	(546,897)	(659,572)	(314,718)	(236,758)
Administrative expenses		(67,989)	(182,196)	(205,995)	(79,763)	(126,271)
Research and development expenses		(95,320)	(124,974)	(121,866)	(58,495)	(72,713)
Amortisation of distribution rights, medicine licenses and trademark		(25,609)	(36,459)	(71,343)	(32,330)	(37,000)
Reversal of impairment losses/(impairment losses) on financial assets, net	21, 22	311	(32)	671	179	(17)
Other expenses		(19,365)	(18,695)	(26,358)	(12,749)	(29,076)
Finance costs, net	8	(293,255)	(276,234)	(254,632)	(139,497)	(93,975)

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

		Year ended	Year ended	Year ended	Six months ended	Six months ended
		31 December	31 December	31 December	30 June	30 June
		2022	2023	2024	2024	2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
PROFIT BEFORE TAX	7	325,278	331,019	482,482	313,135	177,158
Income tax expense	11	(18,933)	(23,000)	(94,596)	(41,122)	(62,592)
PROFIT FOR THE YEAR/PERIOD		<u>306,345</u>	<u>308,019</u>	<u>387,886</u>	<u>272,013</u>	<u>114,566</u>
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		<u>95,915</u>	<u>17,234</u>	<u>6,404</u>	<u>862</u>	<u>699</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>95,915</u>	<u>17,234</u>	<u>6,404</u>	<u>862</u>	<u>699</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation from functional currency to presentation currency		<u>7,022</u>	<u>(2,864)</u>	<u>17,103</u>	<u>7,242</u>	<u>(2,725)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>7,022</u>	<u>(2,864)</u>	<u>17,103</u>	<u>7,242</u>	<u>(2,725)</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2025 RMB'000
<i>Notes</i>				(Unaudited)	
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	102,937	14,370	23,507	8,104	(2,026)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	409,282	322,389	411,393	280,117	112,540
Profit attributable to: Owners of the parent	306,345	308,019	387,886	272,013	114,566
Total comprehensive income attributable to: Owners of the parent	409,282	322,389	411,393	280,117	112,540
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
	13				
Basic for profit for the year/period	RMB55.0 cents	RMB60.6 cents	RMB76.8 cents	RMB53.9 cents	RMB22.7 cents
Diluted for profit for the year/period	RMB55.0 cents	RMB60.6 cents	RMB76.8 cents	RMB53.9 cents	RMB22.7 cents

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	258,667	271,171	270,153	275,786
Prepayments, other					
receivables and other assets	22	405,724	231,992	166,544	168,321
Deferred tax assets	18	9,796	40,026	37,357	47,236
Right-of-use assets	15	34,844	49,434	50,636	63,454
Goodwill	16	112,055	112,055	112,055	112,055
Other intangible assets	17	2,710,705	2,979,919	3,053,266	2,951,185
Financial asset at fair value					
through profit or loss	19	50,000	50,000	50,000	50,000
Total non-current assets		3,581,791	3,734,597	3,740,011	3,668,037
CURRENT ASSETS					
Inventories	20	368,073	306,151	552,776	534,866
Trade and bills receivables	21	362,835	367,810	319,524	137,475
Prepayments, other					
receivables and other assets	22	38,258	45,715	82,575	75,887
Amounts due from a related					
party	37	–	–	120	120
Due from the Controlling					
Shareholder	23	172,460	223,304	237,582	238,944
Pledged deposits	35	428	404	395,740	335,630
Cash and cash equivalents	24	537,635	467,127	111,703	778,462
Total current assets		1,479,689	1,410,511	1,700,020	2,101,384
CURRENT LIABILITIES					
Trade payables	25	248,173	187,764	332,164	196,142
Other payables and accruals	26	367,967	417,604	451,232	317,395
Refund liabilities	27	37,059	31,823	50,141	26,331
Interest-bearing bank and					
other borrowings	28	1,647,619	2,382,929	1,993,140	1,888,436
Dividends payable	12	10,813	49,525	50,264	50,144
Liability component of					
puttable ordinary shares	29	69,646	–	–	–
Tax payables		20,693	29,075	60,899	93,941
Lease liabilities	15	8,074	14,525	13,951	18,868
Total current liabilities		2,410,044	3,113,245	2,951,791	2,591,257

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

		As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT LIABILITIES		(930,355)	(1,702,734)	(1,251,771)	(489,873)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,651,436	2,031,863	2,488,240	3,178,164
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	28	722,051	–	–	530,720
Deferred tax liabilities	18	1,935	2,149	11,563	13,810
Lease liabilities	15	14,943	24,133	27,038	35,794
Other liabilities	30	–	40,706	40,077	42,906
Total non-current liabilities		738,929	66,988	78,678	623,230
Net assets		1,912,507	1,964,875	2,409,562	2,554,934
EQUITY					
Attributable to owners of the parent					
Share capital	31	77	72	72	72
Reserves	32	1,912,430	1,964,803	2,409,490	2,554,862
Total equity		1,912,507	1,964,875	2,409,562	2,554,934

3. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 31)	Capital reserve* RMB'000 (note 32)	Merger reserve* RMB'000 (note 32)	Share-based payment reserve* RMB'000 (note 32)	Other reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000	Retained earnings/ (accumulated losses)* RMB'000	Total RMB'000
At 1 January 2022	78	1,717,873	9,657	78,809	4,234	379	(156,831)	(43,979)	1,610,220
Profit for the year	-	-	-	-	-	-	-	306,345	306,345
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Exchange differences related to foreign operations and translation from functional currency to presentation currency	-	-	-	-	-	-	102,937	-	102,937
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Repurchase of shares (notes 31, 32)	(1)	-	-	-	-	-	102,937	306,345	409,282
Dividend declared (note 12)	-	-	-	-	-	-	-	-	(1)
Equity-settled share-based payment arrangements	-	-	-	(39,589)	-	-	-	(67,405)	(67,405)
	-	-	-	-	-	-	-	-	(39,589)
At 31 December 2022	77	1,717,873	9,657	39,220	4,234	379	(53,894)	194,961	1,912,507

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital RMB'000 (note 31)	Capital reserve* RMB'000 (note 32)	Merger reserve* RMB'000 (note 32)	Share-based payment reserve* RMB'000 (note 32)	Other reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000
At 1 January 2023	77	1,717,873	9,657	39,220	4,234	379	(53,894)	194,961	1,912,507
Profit for the year	-	-	-	-	-	-	-	308,019	308,019
Other comprehensive income for the year	-	-	-	-	-	-	14,370	-	14,370
Exchange differences related to foreign operations and translation from functional currency to presentation currency	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	14,370	308,019	322,389
Equity-settled share-based payment arrangements	-	-	-	33,570	-	-	-	-	33,570
Dividend declared (note 12)	-	-	-	-	-	-	-	(67,737)	(67,737)
Repurchase of shares (notes 31, 32)	(5)	(235,849)	-	-	-	-	-	-	(235,854)
At 31 December 2023	72	1,482,024	9,657	72,790	4,234	379	(39,524)	435,243	1,964,875

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital RMB'000 (note 31)	Capital reserve* RMB'000 (note 32)	Merger reserve* RMB'000 (note 32)	Share-based payment reserve* RMB'000 (note 32)	Other reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000
At 1 January 2024	72	1,482,024	9,657	72,790	4,234	379	(39,524)	435,243	1,964,875
Profit for the year	-	-	-	-	-	-	-	387,886	387,886
Other comprehensive income for the year	-	-	-	-	-	-	23,507	-	23,507
Exchange differences related to foreign operations and translation from functional currency to presentation currency	-	-	-	-	-	-	23,507	-	23,507
Total comprehensive income for the year	-	-	-	-	-	-	23,507	387,886	411,393
Equity-settled share-based payment arrangements	-	-	-	33,294	-	-	-	-	33,294
At 31 December 2024	72	1,482,024	9,657	106,084	4,234	379	(16,017)	823,129	2,409,562

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Six months ended 30 June 2024

	Attributable to owners of the parent								
	Share capital RMB'000 (note 31)	Capital reserve* RMB'000 (note 32)	Merger reserve* RMB'000 (note 32)	Share-based payment reserve* RMB'000 (note 32)	Other reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000
At 1 January 2024	72	1,482,024	9,657	72,790	4,234	379	(39,524)	435,243	1,964,875
Profit for the period (unaudited)	-	-	-	-	-	-	-	272,013	272,013
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Exchange differences related to foreign operations and translation from functional currency to presentation currency (unaudited)	-	-	-	-	-	-	8,104	-	8,104
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	8,104	272,013	280,117
Equity-settled share-based payment arrangements (unaudited)	-	-	-	15,291	-	-	-	-	15,291
At 30 June 2024 (unaudited)	72	1,482,024	9,657	88,081	4,234	379	(31,420)	707,256	2,260,283

Six months ended 30 June 2025

	Attributable to owners of the parent								
	Share capital RMB'000 (note 31)	Capital reserve* RMB'000 (note 32)	Merger reserve* RMB'000 (note 32)	Share-based payment reserve* RMB'000 (note 32)	Other reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000
At 1 January 2025	72	1,482,024	9,657	106,084	4,234	379	(16,017)	823,129	2,409,562
Profit for the period	-	-	-	-	-	-	-	114,566	114,566
Other comprehensive income for the period	-	-	-	-	-	-	(2,026)	-	(2,026)
Exchange differences related to foreign operations and translation from functional currency to presentation currency	-	-	-	-	-	-	(2,026)	-	(2,026)
Total comprehensive income for the period	-	-	-	-	-	-	(2,026)	114,566	112,540
Equity-settled share-based payment arrangements	-	-	-	32,832	-	-	-	-	32,832
At 30 June 2025	72	1,482,024	9,657	138,916	4,234	379	(18,043)	937,695	2,554,934

These reserve accounts comprise the reserves of RMB1,912,430,000, RMB1,964,803,000, RMB2,409,490,000, RMB2,260,211,000 and RMB2,554,862,000 in the consolidated statements of financial position as at 31 December 2022, 2023, and 2024, and 30 June 2024 and 2025, respectively.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
	Notes					
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		325,278	331,019	482,482	313,135	177,158
Adjustments for:						
Finance costs, net	8	293,255	276,234	254,632	139,497	93,975
Interest income	6, 7	(2,040)	(8,070)	(13,747)	(5,528)	(10,072)
Depreciation of property, plant and equipment	7	25,882	24,676	19,064	14,273	15,543
Depreciation of right-of-use assets	7	20,079	17,305	17,598	8,501	11,557
Amortization of other intangible assets	7	103,804	117,106	157,513	74,686	91,311
Amortization of deferred government grants		–	–	(117)	–	(70)
Write-down of inventories to net realizable value	7	13,985	2,903	1,589	1,308	485
(Gain)/loss on disposal of items of property, plant and equipment	7	(145)	842	266	–	–
Loss on disposal of an intangible asset	7	–	–	1,488	–	–
Impairment of non-current assets	7	–	11,835	2,263	–	–
(Reversal of impairment losses)/impairment losses on financial assets, net	7	(311)	32	(671)	(179)	17
Loss on termination of a lease	7, 15	1,857	–	–	–	–
Equity-settled share-based payment expenses	7, 33	(39,589)	33,570	33,294	15,291	32,832
Exchange loss	7	3,081	3,083	19,898	11,388	20,869
		745,136	810,535	975,552	572,372	433,605
(Increase)/decrease in inventories		(5,495)	59,019	(222,219)	(4,339)	18,643
Decrease/(increase) in trade and bills receivables		168,849	(4,905)	48,986	(136,057)	182,089
Decrease/(increase) in prepayments, other receivables and other assets		42,531	(6,932)	(34,692)	(29,245)	4,095
Increase in amounts due from a related party		–	–	(120)	(4,382)	–
Increase/(decrease) in trade payables		85,786	(60,929)	154,644	(16,569)	(131,514)
(Decrease)/increase in other payables and accruals		(8,872)	12,235	26,367	(29,173)	(150,957)
(Decrease)/increase in refund liabilities		(61,588)	(5,236)	18,318	10,350	(23,810)
Cash generated from operations		966,347	803,787	966,836	362,957	332,151
Tax paid		(21,534)	(44,922)	(51,109)	(20,899)	(37,059)
Net cash flows from operating activities		944,813	758,865	915,727	342,058	295,092

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

		Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2024	Six months ended 30 June 2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		2,040	1,073	2,230	945	5,830
Purchases of items of property, plant and equipment		(48,421)	(42,303)	(26,165)	(11,498)	(23,946)
Proceeds from disposal of items of property, plant and equipment		1,132	407	80	1	–
Purchase of other intangible assets		(2,686)	(856)	(161,182)	(57,126)	(241)
Receipt of government grants for property, plant and equipment		–	4,080	1,675	1,675	–
Increase in other long-term assets		(48,954)	(124,632)	(14,039)	(10,690)	–
Due from the Controlling Shareholder (Placement)/withdraw of pledged deposits		(172,460)	(208,468)	–	–	–
		(211)	24	(395,336)	18	60,110
Net cash flows (used in)/from investing activities		(269,560)	(370,675)	(592,737)	(76,675)	41,753
CASH FLOWS FROM FINANCING ACTIVITIES						
Repurchase of shares		(1)	(67,967)	–	–	–
Cash paid for puttable ordinary shares	29	(86,473)	(67,737)	–	–	–
New bank loans and other borrowings		570,986	1,817,520	1,245,123	564,044	1,142,748
Dividends paid	12	(56,592)	(31,439)	–	–	–
Interest paid		(260,179)	(184,420)	(256,828)	(91,265)	(62,625)
Repayment of bank loans and other borrowings		(874,884)	(1,910,161)	(1,653,360)	(693,005)	(737,279)
Payments of lease liabilities		(24,465)	(18,000)	(18,113)	(8,962)	(11,491)
Net cash flows (used in)/from financing activities		(731,608)	(462,204)	(683,178)	(229,188)	331,353
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS						
		(56,355)	(74,014)	(360,188)	36,195	668,198
Cash and cash equivalents at beginning of year/period		577,076	537,635	467,127	467,127	111,703
Effect of foreign exchange rate changes, net		16,914	3,506	4,764	1,916	(1,439)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		537,635	467,127	111,703	505,238	778,462
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		537,635	467,127	111,703	505,238	778,462
Cash and cash equivalents as stated in the statements of financial position		537,635	467,127	111,703	505,238	778,462
Cash and cash equivalents as stated in the statements of cash flows		537,635	467,127	111,703	505,238	778,462

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

5. STATEMENTS OF FINANCIAL POSITION OF THE TARGET

		As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
	<i>Notes</i>				
NON-CURRENT ASSETS					
Investments in subsidiaries	37(f)	1,063,687	1,081,724	1,097,867	1,095,256
CURRENT ASSETS					
Prepayments, other receivables and other assets		176	4,792	55	–
Due from the Controlling Shareholder	23 & 37(e)	112,094	–	–	–
Due from subsidiaries	37(e)	1,123,666	961,043	545,309	545,732
Cash and cash equivalents		139	88	762	80
Total current assets		1,236,075	965,923	546,126	545,812
CURRENT LIABILITIES					
Other payables and accruals	26	20,479	24,142	30,461	25,026
Interest-bearing bank and other borrowings	28	–	807,475	410,005	426,210
Dividends payable	12	10,813	49,525	50,264	50,144
Liability component of puttable ordinary shares	29	69,646	–	–	–
Total current liabilities		100,938	881,142	490,730	501,380
NET CURRENT ASSETS		1,135,137	84,781	55,396	44,432
TOTAL ASSETS LESS CURRENT LIABILITIES		2,198,824	1,166,505	1,153,263	1,139,688
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	28	722,051	–	–	–
Total non-current liabilities		722,051	–	–	–
Net assets		1,476,773	1,166,505	1,153,263	1,139,688
EQUITY					
Share capital	31	77	72	72	72
Reserves		1,476,696	1,166,433	1,153,191	1,139,616
Total equity		1,476,773	1,166,505	1,153,263	1,139,688

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Target was incorporated in the Cayman Islands on 8 June 2020 as an exempted company with limited liability under the Companies Act Chapter 22 of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Target is an investment holding company. During the Relevant Periods, the Target's subsidiaries were involved in the following principal activities:

- sale of pharmaceutical products
- provision of marketing and promotion services
- manufacture of pharmaceutical products
- pharmaceutical research and development

As at the end of the Relevant Periods, the Target had direct and indirect interests in the following principal subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target		Principal activities
				Direct	Indirect	
Eddingpharm Group Company Limited (<i>note (a)</i>)	The British Virgin Islands ("BVI")	15 August 2005	US\$1	100	–	Investment holding
Eddingpharm (Asia) Co., Ltd. (<i>note (b)</i>)	Malaysia	2 July 2008	US\$10,000	–	100	Dormant
Eddingpharm (Asia) Macao Commercial Offshore Limited (<i>note (c)</i>)	Macao	1 February 2002	MOP100,000	–	100	Marketing and commercialization of pharmaceutical products
Maxi Vantage Limited (<i>note (d)</i>)	Hong Kong	12 February 2015	US\$150,740,458	–	100	Provision of marketing and consultancy services
Eddingpharm AG (<i>note (a)</i>)	Switzerland	21 December 2015	CHF100,000	–	100	Provision of marketing and consultancy services
Excellent Apex Group Limited (<i>note (a)</i>)	BVI	23 November 2015	US\$150,740,458	100	–	Investment holding
Eddingpharm BV (<i>note (a)</i>)	Netherlands	6 November 2019	EUR1	–	100	Investment holding
蘇州億騰藥品銷售有限公司 Eddingpharm Suzhou Co., Ltd. (<i>note (f)</i>)*	PRC/ Chinese mainland	13 December 2017	US\$50,000,000	–	100	Trading of pharmaceutical products and provision of marketing and promotion services
Ease Pacific Limited (<i>note (a)</i>)	BVI	28 May 2018	US\$1	100	–	Investment holding
Mount View Limited (<i>note (e)</i>)	Hong Kong	5 November 2018	HKD1	–	100	Investment holding

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target		Principal activities
				Direct	Indirect	
蘇州工業園區峰酷醫藥有限公司 Maxi Vantage (Suzhou) Co., Ltd. (note (f))*	PRC/ Chinese mainland	5 September 2019	US\$46,000,000	–	100	Investment holding
上海愛汀醫藥科技有限公司 Shanghai Eddingpharm Co., Ltd. (note (g))*	PRC/ Chinese mainland	10 August 2018	RMB648,038,000	–	100	Provision of marketing and consultancy services
億騰醫藥(蘇州)有限公司 Eddingpharm (Suzhou) Co., Ltd. (Formerly known as 蘇州西克羅製藥有限公司 Suzhou Ceclor Pharmaceutical Co., Ltd.) (note (f))*	PRC/ Chinese mainland	26 February 2019	RMB820,235,827	–	100	Research and development of pharmaceutical products; manufacture, marketing and commercialization of pharmaceutical products
Vancocin Italia S.r.L. (note (a))	Italy	11 April 2019	EUR10,000	–	100	Provision of marketing and consultancy services
Eddingpharm K.K. (note (a))	Japan	29 November 2019	JPY46,145,000	–	100	Provision of marketing and consultancy services
ERC Pharma (Cayman) Holdings Limited (note (a))	Cayman Islands	29 November 2018	US\$7,492	100	–	Investment holding
ERC Pharma (Hong Kong) Limited (note (e))	Hong Kong	11 September 2015	HKD100	–	100	Investment holding
瑞思醫藥(蘇州)有限公司 ERC Pharma (Suzhou) Co., Ltd. (note (f))*	PRC/ Chinese mainland	11 September 2015	US\$12,000,000	–	100	Research and development of respiratory product
Eddingpharm International Company Limited (note (a))	BVI	21 September 2006	US\$50,000	100	–	Investment holding
Eddingpharm (Hong Kong) Company Limited (note (e))	Hong Kong	17 December 2005	HKD100	–	100	Provision of consultancy and marketing services; trading of pharmaceutical products
上海愛汀康橋生物科技有限公司 Shanghai Edding Kangqiao Biotechnology Co., Ltd. (note (f))*	PRC/ Chinese mainland	16 June 2023	RMB30,000,000	–	100	Research and development of pharmaceutical products
Eddingpharm (Hong Kong) Holding Limited (note (i))	Hong Kong	14 August 2024	HKD10,000	–	100	Investment holding
Edding Holding Limited (note (a))	Macau	3 September 2024	MOP25,000	–	100	Investment holding
億騰醫藥(珠海)有限公司 Eddingpharm (Zhuhai) Co., Ltd. (note (h))	PRC/ Chinese mainland	15 October 2024	CNY 50,000,000	–	100	Research and development of pharmaceutical products
EDDINGPHARM (U.S.) INC	United States	5 February 2025	US\$5,000	–	100	Marketing and commercialization of pharmaceutical products

* The English translations of these names are for identification purposes only.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Notes:

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2022, 2023 and 2024 as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation or establishment.
- (b) The statutory financial statements of this entity for the years ended 31 December 2022, 2023 and 2024 prepared under Malaysian Private Entities Reporting Standards and the requirements of the Labuan Companies Act 1990 in Malaysia were audited by CCMT (Labuan) LLP (formerly known as Crowe (Labuan) LLP).
- (c) The statutory financial statements of this entity for the year ended 31 December 2022 prepared under the Financial Reporting Standards set out in Administrative Regulations No. 25/2005 of the Macau Special Administrative Region were audited by CKT & Associates CPA Macau. The statutory financial statements of this entity for the year ended 31 December 2023 and 2024 prepared under International Financial Reporting Standards were audited by Ernst & Young, Hong Kong.
- (d) The statutory financial statements of this entity for the years ended 31 December 2022, 2023 and 2024 prepared under HKFRS Accounting Standards were audited by Ernst & Young, Hong Kong.
- (e) The statutory financial statements of this entity for the years ended 31 December 2022, 2023 and 2024 prepared under HKFRS Accounting Standards for Private Entities were audited by Lee and Chan CPA.
- (f) The statutory financial statements of this entity for the years ended 31 December 2022, 2023 and 2024 prepared under Chinese Accounting Standards ("PRC GAAP") were audited by Suzhou Fangben Certified Public Accountants Co., Ltd. Park Branch (蘇州方本會計師事務所有限公司園區分所).
- (g) The statutory financial statements of this entity for the years ended 31 December 2022, 2023 and 2024 prepared under PRC GAAP were audited by Shanghai Anbeixin Certified Public Accounts Co., Ltd. (上海安倍信會計師事務所有限公司).
- (h) The statutory financial statements of this entity for the years ended 31 December 2024 prepared under Chinese Accounting Standards ("PRC GAAP") were audited by Shu Lun Pan Certified Public Accountants LLP Zhuhai Branch (立信會計師事務所特殊普通合夥珠海分所).
- (i) No audited financials statements have been prepared for this entity for the year ended 31 December 2024 as this entity was incorporated in 2024.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

As at 30 June 2025, the Target Group had net current liabilities of RMB489,873,000, of which the Target Group's cash and cash equivalents and trade receivables amounted to RMB778,462,000 and RMB137,475,000, respectively, while its interest-bearing loans and other borrowings classified as current liabilities amounted to RMB1,888,436,000. The Directors have reviewed the Target Group's cash flow forecast prepared by management, covering a period of 12 months from 30 June 2025. Target Group is expected to generate sufficient operating cash inflows in the coming 12 months. The Target Group will repay, rollover or re-finance its current bank and other borrowings in the normal course of business. Accordingly, the Directors, after taking into account the operation performance, financing plans and measures, are of the opinion that, the Target Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due and that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Historical Financial Information has been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income and financial asset at fair value through profit or loss.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Basis of consolidation

The Historical Financial Information includes the financial information of the Target and its subsidiaries (collectively referred to as the "Target Group") for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target. Control is achieved when the Target 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 Target 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 Target has less than a majority of the voting or similar rights of an investee, the Target 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 Target Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same reporting period as the Target, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases. The investments in subsidiaries were accounted for using the cost method.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target 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 Target Group are eliminated in full on consolidation.

The Target 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 Target 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 the profit or loss. The Target 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 Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Target Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Target Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual /reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Target Group is described below.

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of HKFRS 18 will have no impact on the consolidated statements of financial position of the Target Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income.

Except for HKFRS 18, the directors of the Target Group anticipate that the application of these new and revised HKFRS Accounting Standards will have no impact material impact on the Target Group's financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Fair value measurement

The Target Group measures its financial asset at fair value through profit or loss and financial asset at fair value through other comprehensive income at the end of each reporting period. 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 Target 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 Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial 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 reporting period 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 profit or loss in the period in which it arises.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Related parties

A party is considered to be related to the Target 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 Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target 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 Target 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 Target Group or an entity related to the Target 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 Target Group or to the parent of the Target 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 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, the Target Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line 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 of property, plant and equipment are as follows:

Buildings	5 to 50 years
Leasehold improvements	2 to 10 years
Plant and machinery	3 to 24 years
Office and other equipment	3 to 24 years
Motor vehicles	1 to 15 years

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 each financial year end.

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 the 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)

The intangible assets mainly consist of trademark, know-how license and medical rights, distribution rights and medicine licenses and software. The 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 each financial year end.

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, all intangible assets (other than goodwill) of the Target Group were considered to have finite useful lives, which are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives.

The estimated useful lives of other intangible assets are as follows:

Trademark, the know-how license and medical rights	10 to 30 years
Distribution rights and medicine licenses	2 to 10 years
Software	1 to 10 years

The trademark, know-how license and medical rights, distribution rights and medicine licenses of the Target Group are associated with different products arising from various business combinations and acquisitions from third parties. The useful lives of trademark, know-how license and medical rights, distribution rights and medicine licenses are estimated based on the remaining period of economic benefits to be derived from the respective products to be produced relying on the acquired trademark, know-how license and medical rights, distribution rights and medicine licenses. The Target Group estimates the period of economic benefits to be derived from the respective products based on the expected time period required for a pharmaceutical drug development from its discovery to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on such assessment, the Target Group considers that the maximum economic useful life of trademark, know-how license and medical rights, distribution rights and medicine licenses held by the Target Group is 30 years. As different products have different commercialization commencement dates, acquisition dates by the Target Group and the expected lifespan of economic benefits, the remaining useful life of the Target Group's trademark, know-how license and medical rights, distribution rights and medicine licenses varies at a range of 10 to 30 years and 2 to 10 years, respectively. Both the period and method of amortization are reviewed annually.

Research and development costs

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 Target 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.

Deferred 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, commencing from the date when the products are put into commercial production.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target 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 (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less 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. 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:

Leasehold land	26 years
Offices	2 to 9 years

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(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 Target Group and payments of penalties for termination of a lease, if the lease term reflects the Target 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 Target 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 Target Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 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.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target 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 Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target 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 Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 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 Target 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 recognized on the trade date, that is, the date that the Target 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 the 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 the 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 fair value through profit or loss

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 the profit or loss.

This category includes equity investments which the Target Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in the profit or loss when the right of payment has been established.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target 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 Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target 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 Target Group continues to recognize the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target 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 Target 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 Target Group could be required to repay.

Impairment of financial assets

The Target 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 Target 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 each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date 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 Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 180 days past due. The Target Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Target Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For debt investments at fair value through other comprehensive income, the Target Group applies the low credit risk simplification. At each reporting date, the Target 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 Target Group reassesses the external credit ratings of the debt investments.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Debt investments at fair value through other comprehensive income 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 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 reporting date (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 Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on customers' credit rating and credit loss history, 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 financial liabilities at fair value through profit or loss, interest-bearing bank and other borrowings, liability component of puttable ordinary shares, 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 Target Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, and liability component of puttable ordinary shares.

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 the 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 profit or loss.

Liability component of puttable ordinary shares

The component of puttable ordinary shares that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of ordinary shares with put option, the fair value of the liability component is determined at the present value of the repurchase amount; and this amount is carried as a liability on the amortized cost basis until extinguished or repurchase. The remainder of the proceeds is included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of puttable ordinary shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis 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.

Cash and cash equivalents

Cash and cash equivalents in the 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, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

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 the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 carryforward 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 carryforward of unused tax credits and unused tax losses can be utilized, 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

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

- 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 utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period 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 the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target 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 instalments 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 Target 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 Target 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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the pharmaceutical products.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Some contracts for the sale of industrial products provide customers with sales rebates, giving rise to variable consideration.

(i) Sales rebates

Sales rebates may be provided to certain customers according to terms specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

(b) Service income

Service income is recognized at a point in time after the services have been provided by the Target Group.

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.

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 Target Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Target Group ultimately expects it will have to return to the customer. The Target Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

A parent of the Target and the Target operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Group's operations. Employees (including the Directors) of the Target Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments of the parent ("equity-settled transactions"). Where the parent grants an award directly to the employees of a subsidiary and settles it in its own equity, the subsidiary accounts for the award as equity-settled, with a corresponding increase in equity as a contribution from the parent.

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 reporting period until the vesting date reflects the extent to which the vesting period has expired and the Target 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 Target 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.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 canceled, 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. This includes any award where non-vesting conditions within the control of either the Target Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Target Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 13%-16% of its 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.

The subsidiaries operating in Malaysia are required to contribute to the Social Security Organization ("SOCSSO"), which was established to provided social security protections to all employees in Malaysia, and the Employee Provident Fund ("EPF"). Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the SOCSSO and EPF.

The subsidiaries operating in Macau contributes to the Central Provident Fund for all its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Central Provident Fund.

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 capitalized as part of the cost of those assets. The capitalization 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 board of directors and the relevant investors as stipulated in the articles of association.

Foreign currencies

This Historical Financial Information is presented in Renminbi ("RMB"). Each entity in the Target 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 Target 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 the reporting period. Differences arising on settlement or translation of monetary items are recognized in the profit or loss.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

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 Target 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 Target Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Target is US\$ and the functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities and the Target are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in the profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries and the Target are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and the Target which arise throughout the period are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting 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 receivables

The Target Group uses a provision matrix to calculate ECLs for trade receivables.

The provision matrix is initially based on the customers' credit rating and the Target Group's historical observed default rates. The Target Group will calibrate the matrix to adjust customers' credit rating and the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the pharmaceutical sector, the historical default rates are adjusted. At each reporting date, 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 and the customers' credit rating, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical observed default rates and forecast of economic conditions may also be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables is disclosed in note 21 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. 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. Further details are contained in note 18 to the Historical Financial Information. The Target Group's operations are subject to different tax jurisdictions and management is required to make assessment and evaluation on the corresponding tax impacts.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Share-based payments

The Target engaged an independent appraiser to assist in determining the fair value of share-based payments. The determination of fair value was made after considering a number of parameters including but not limited to: the dividend yield, expected volatility, risk-free interest rate, expected life of options and the weighted average share price. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Variable consideration for sales rebates

The Target Group estimates variable consideration to be included in the transaction price for the sale of pharmaceutical products with variable rebates.

The Target Group has applied a statistical model for estimating expected sales rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Target Group.

The Target Group updates its assessment of expected sales rebates annually and the refund liabilities are adjusted accordingly. Estimates of expected sales rebates are sensitive to changes in circumstances and the Target Group's past experience regarding rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the amounts recognized as refund liabilities were RMB37,059,000, RMB31,823,000 and RMB50,141,000 and RMB26,331,000 for the expected sales rebates, respectively.

Leases – Estimating the incremental borrowing rate

The Target Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Target Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Target Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were RMB112,055,000, RMB112,055,000, RMB112,055,000 and RMB112,055,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and 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.

Useful lives of intangible assets

The Target Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortization charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Group is organized into business units based on their products and services and has two reportable operating segments as follows:

- (i) The manufacturing and distribution segment engages in the manufacture and distribution of pharmaceutical products;
- (ii) The research and development segment engages in the research and development of new drugs.

Management monitors the results of the Target Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Target Group's profit or loss before tax except that head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

There were no intersegment sales during the Relevant Periods and six months ended 30 June 2024.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Year ended 31 December 2022

	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	2,073,754	–	2,073,754
Total revenue			2,073,754
Segment results	420,442	(95,164)	325,278
Profit before tax			325,278
	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	4,902,228	158,913	5,061,141
Reconciliation:			
Elimination of intersegment receivables			339
Total assets			5,061,480
Segment liabilities	3,115,259	33,375	3,148,634
Reconciliation:			
Elimination of intersegment payables			339
Total liabilities			3,148,973
Other segment information:			
Depreciation of items of property, plant and equipment	16,919	8,963	25,882
Depreciation of right-of-use assets	14,543	5,536	20,079
Amortization of other intangible assets	103,556	248	103,804
Write-down of inventories to net realizable value	13,985	–	13,985
Reversal of impairment losses of financial assets, net	(311)	–	(311)
Capital expenditure*	56,014	44,047	100,061

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Year ended 31 December 2023

	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	2,303,788	–	2,303,788
Total revenue			2,303,788
Segment results	456,045	(125,026)	331,019
Profit before tax			331,019
	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	4,915,495	229,966	5,145,461
Reconciliation:			
Elimination of intersegment receivables			(353)
Total assets			5,145,108
Segment liabilities	3,148,647	31,939	3,180,586
Reconciliation:			
Elimination of intersegment payables			(353)
Total liabilities			3,180,233
Other segment information:			
Depreciation of items of property, plant and equipment	14,433	10,243	24,676
Depreciation of right-of-use assets	12,619	4,686	17,305
Amortization of other intangible assets	116,897	209	117,106
Write-down of inventories to net realizable value	2,903	–	2,903
Impairment of financial assets, net	32	–	32
Impairment of long-term prepayment and intangible assets	11,835	–	11,835
Capital expenditure*	89,812	73,899	163,711

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Year ended 31 December 2024

	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	2,546,044	–	2,546,044
Total revenue			<u>2,546,044</u>
Segment results	605,207	(122,725)	482,482
Profit before tax			<u><u>482,482</u></u>
	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	5,273,267	185,122	5,458,389
Reconciliation:			
Elimination of intersegment receivables			<u>(18,358)</u>
Total assets			<u><u>5,440,031</u></u>
Segment liabilities	2,988,263	60,564	3,048,827
Reconciliation:			
Elimination of intersegment payables			<u>(18,358)</u>
Total liabilities			<u><u>3,030,469</u></u>
Other segment information:			
Depreciation of items of property, plant and equipment	12,779	6,285	19,064
Depreciation of right-of-use assets	14,127	3,471	17,598
Amortization of other intangible assets	156,956	557	157,513
Write-down of inventories to net realizable value	1,589	–	1,589
Reversal of impairment losses of financial assets, net	(671)	–	(671)
Impairment of non-current assets	2,263	–	2,263
Capital expenditure*	148,944	50,767	199,711

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Six months ended 30 June 2024

	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	1,373,322	–	1,373,322
Total revenue			1,373,322
Segment results	371,406	(58,271)	313,135
Profit before tax			313,135
Other segment information:			
Depreciation of items of property, plant and equipment	12,890	1,383	14,273
Depreciation of right-of-use assets	6,646	1,855	8,501
Amortization of other intangible assets	74,129	557	74,686
Write-down of inventories to net realizable value	1,308	–	1,308
Reversal of impairment losses of financial assets, net	(179)	–	(179)
Capital expenditure*	70,373	7,266	77,639

Six months ended 30 June 2025

	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales to external customers	1,135,542	–	1,135,542
Total revenue			1,135,542
Segment results	257,237	(80,079)	177,158
Profit before tax			177,158

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Manufacturing and distribution <i>RMB'000</i>	Research and development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	5,672,125	149,323	5,821,448
Reconciliation:			
Elimination of intersegment receivables			(52,027)
Total assets			<u>5,769,421</u>
Segment liabilities	3,140,905	125,609	3,266,514
Reconciliation:			
Elimination of intersegment payables			(52,027)
Total liabilities			<u>3,214,487</u>
Other segment information:			
Depreciation of items of property, plant and equipment	12,322	3,221	15,543
Depreciation of right-of-use assets	9,623	1,934	11,557
Amortization of other intangible assets	90,754	557	91,311
Write-down of inventories to net realizable value	485	—	485
Reversal of impairment losses of financial assets, net	17	—	17
Capital expenditure*	13,115	11,072	24,187

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and capitalized research and development cost included in other long-term assets during the Relevant Periods.

Geographical information

(a) Revenue from external customers:

	Year ended 31 December 2022 <i>RMB'000</i>	Year ended 31 December 2023 <i>RMB'000</i>	Year ended 31 December 2024 <i>RMB'000</i>	Six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2025 <i>RMB'000</i>
Chinese mainland	2,073,754	2,303,788	2,535,552	1,367,315	1,133,108
United States of America	—	—	9,970	5,558	2,430
Other regions/countries	—	—	522	449	4
Total	<u>2,073,754</u>	<u>2,303,788</u>	<u>2,546,044</u>	<u>1,373,322</u>	<u>1,135,542</u>

The revenue information above is based on the location of the customers.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

(b) Non-current assets:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Macau and Hong Kong	3,068,365	3,159,071	3,163,760	3,045,863
Chinese mainland	453,370	481,033	484,436	524,929
Other regions/countries	260	4,467	4,458	9
Total	<u>3,521,995</u>	<u>3,644,571</u>	<u>3,652,654</u>	<u>3,570,801</u>

The non-current asset information above is based on the location of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, revenue of approximately RMB1,197,328,000, RMB1,306,877,000, RMB1,393,238,000, RMB858,642,000 and RMB704,325,000, respectively, was derived from a single external customer which accounted for more than 10% of the total revenue.

5. REVENUE

An analysis of the revenue is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Revenue from contracts with customers	<u>2,073,754</u>	<u>2,303,788</u>	<u>2,546,044</u>	<u>1,373,322</u>	<u>1,135,542</u>

Revenue from contracts with customers

(a) Disaggregated revenue information:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Sale of pharmaceutical products	2,073,754	2,303,788	2,544,098	1,371,376	1,112,948
Service income	<u>—</u>	<u>—</u>	<u>1,946</u>	<u>1,946</u>	<u>22,594</u>
Total	<u>2,073,754</u>	<u>2,303,788</u>	<u>2,546,044</u>	<u>1,373,322</u>	<u>1,135,542</u>

The revenue from contracts with customers is primarily from Chinese mainland and United States of America, and is recognized at a point in time.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following table shows the amounts of revenue recognized during the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period and recognized from performance obligations satisfied in previous periods:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:					
Sale of pharmaceutical products	3,137	8,313	1,920	1,920	8,992
	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Revenue recognized from performance obligations satisfied in previous periods:					
Sale of goods not previously recognized due to constraints on variable consideration	55,981	17,536	–	–	–

(b) Performance obligations:

Information about the Target's performance obligations is summarized below:

Sale of pharmaceutical products

The performance obligation is satisfied upon delivery of the pharmaceutical products and payment is generally due within one to six months from delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

Services

The performance obligation is satisfied at point in time when relevant services has been provided.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Amounts expected to be recognized as revenue:				
Within one year	8,313	1,920	8,992	7,514

All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
<i>Note</i>					
Other income					
Interest income	2,040	8,070	13,747	5,528	10,072
Government grants*	1,539	1,929	6,857	4,776	3,210
Others	—	—	—	175	69
Subtotal	3,579	9,999	20,604	10,479	13,351
Other gains					
Compensation gain (a)	—	814	84,688	15,902	—
Gain on disposal of items of property, plant and equipment	145	—	—	—	—
Subtotal	145	814	84,688	15,902	—
Total	3,724	10,813	105,292	26,381	13,351

* Various government grants have been received from local government authorities as subsidies to the Target Group. There were no unfulfilled conditions or contingencies relating to these grants.

(a) In April 2024, the Target Group reached an agreement with an independent third-party supplier to terminate the partnership for two drug rights, according to which the Target Group recognized a compensation gain of RMB20,000,000.

In 2024, a subsidiary of the Target Group, a related party of the Target Group and an independent third-party supplier reached certain agreements related to the compensation from the independent third-party supplier for the losses incurred by the Target Group for one drug sold in previous years. According to the agreements, the Target Group recognized a compensation gain of RMB40,791,000.

In December 2024, the Target Group reached a settlement agreement with the collaboration partner and received compensation of US\$3,150,000 (equivalent to RMB22,418,000) for the exclusive drug rights prepaid by the Target Group in previous years.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

7. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2024	Six months ended 30 June 2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold		592,510	677,800	688,079	367,599	285,035
Cost of services provided		–	–	7,015	148	28,273
Marketing expense		158,953	149,678	202,409	96,653	57,431
Depreciation of right-of-use assets	15	20,079	17,305	17,598	8,501	11,557
Depreciation of property, plant and equipment	14	25,882	24,676	19,064	14,273	15,543
Amortization of other intangible assets		103,804	117,106	157,513	74,686	91,311
Auditor's remuneration		4,979	5,591	6,064	1,421	2,940
Wages and salaries		453,752	470,714	475,968	281,540	202,465
Equity-settled share-based payment expense	33	(39,589)	33,570	33,294	15,291	32,832
Subtotal		414,163	504,284	509,262	296,831	235,297
Foreign exchange differences, net		3,081	3,083	19,898	11,388	20,869
Interest income	6	(2,040)	(8,070)	(13,747)	(5,528)	(10,072)
Loss on disposal of items of intangible assets		–	–	1,488	–	–
Loss on termination of a lease		1,857	–	–	–	–
(Gain)/loss on disposal of items of property, plant and equipment		(145)	842	266	–	–
(Reversal) of impairment losses)/impairment losses on financial assets, net	21, 22	(311)	32	(671)	(179)	17
Write-down of inventories to net realizable values		13,985	2,903	1,589	1,308	485
Impairment of non-current assets*		–	11,835	2,263	–	–
Compensation gain	6	–	(814)	(84,688)	(15,902)	–

* The impairment of long-term prepayment, property, plant and equipment and intangible assets are included in "Other expenses" in the profit or loss.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

8. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Interest on interest-bearing bank loans and other borrowings	250,277	249,549	231,197	124,024	80,138
Interest on a liability component of puttable ordinary shares	23,891	–	–	–	–
Interest on discounted bills	16,496	24,801	25,968	14,220	12,495
Interest on lease liabilities	2,591	1,758	1,654	887	949
Interest on other long-term payables	–	126	747	366	393
Modification gain on interest- bearing bank loans and other borrowings	–	–	(4,934)	–	–
Total	<u>293,255</u>	<u>276,234</u>	<u>254,632</u>	<u>139,497</u>	<u>93,975</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

9. DIRECTORS' REMUNERATION

The remuneration of each of the Directors as recorded during the Relevant Periods is set out below:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Fees	675	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	5,338	5,924	7,157	3,655	3,622
Performance related bonuses	456	4,855	3,842	284	680
Equity-settled share-based payment expense	(9,236)	28,646	17,630	12,815	16,552
Pension scheme contributions	74	79	81	41	34
Subtotal	(3,368)	39,504	28,710	16,795	20,888
Total fees and other emoluments	(2,693)	39,504	28,710	16,795	20,888

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the Relevant Periods were as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Mr. Yue Yonghong*	225	–	–	–	–
Ms. Duan Hongyu*	225	–	–	–	–
Dr. Xu Qing*	225	–	–	–	–
Total	675	–	–	–	–

* On 8 October 2022, Mr. Yue Yonghong, Ms. Duan Hongyu and Dr. Xu Qing resigned from their position as independent non-executive directors and no new independent executive directors have been hired since then.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity- settled share- based payment expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022						
Executive Director:						
Mr. Ni Xin*	–	3,600	–	–	16	3,616
Non-executive Directors:						
Ms. Zhai Jing**	–	1,738	456	412	58	2,664
Mr. Zou Xiaoming***	–	–	–	(9,648)	–	(9,648)
Total	–	5,338	456	(9,236)	74	(3,368)
2023						
Executive Directors:						
Mr. Ni Xin*	–	3,735	4,233	25,332	16	33,316
Ms. Zhai Jing**	–	2,189	622	3,314	63	6,188
Total	–	5,924	4,855	28,646	79	39,504
2024						
Executive Directors:						
Mr. Ni Xin*	–	4,942	3,558	15,556	16	24,072
Ms. Zhai Jing**	–	2,215	284	2,074	65	4,638
Total	–	7,157	3,842	17,630	81	28,710
Six months ended 30 June 2024						
Executive Director:						
Mr. Ni Xin*	–	2,469	–	11,288	8	13,765
Ms. Zhai Jing**	–	1,186	284	1,527	33	3,030
Total	–	3,655	284	12,815	41	16,795
Six months ended 30 June 2025						
Executive Director:						
Mr. Ni Xin*	–	2,453	–	14,448	8	16,909
Ms. Zhai Jing**	–	1,169	680	2,104	26	3,979
Total	–	3,622	680	16,552	34	20,888

* Mr. Ni Xin is an executive director and a chief executive officer.

** On 15 September 2022, Ms. Zhai Jing was appointed as a director.

*** On 15 September 2022, Mr. Zou Xiaoming resigned from his position as a non-executive Director. The equity-settled share-based payment expense amounting to RMB4,359,000 was recognized in 2022 and reversal of equity-settled share-based payment expense amounting to RMB14,007,000 was recorded upon the forfeiture of share options after his resignation in 2022.

Dr. David Guowei Wang was appointed as a non-executive Director on 31 July 2020. There was no fee paid to Dr. David Guowei Wang during the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the six months ended 30 June 2025 included one executive Director (who is also the chief executive officer) and another executive Director (year ended 31 December 2022: one executive Director (who is also the chief executive officer); year ended 31 December 2023: one executive Director (who is also the chief executive officer) and another executive Director; year ended 31 December 2024: one executive Director (who is also the chief executive officer) and another executive Director; six months ended 30 June 2024: one executive Director (who is also the chief executive officer) and another executive Director)), details of whose remuneration are set out in note 9 above. Details of the remuneration for the six months ended 30 June 2025 of the remaining three (year ended 31 December 2022: four; year ended 31 December 2023: three; year ended 31 December 2024: three; six months ended 30 June 2024: three) highest paid employees who are not a director of the Target Group are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Salaries, allowances and benefits in kind	9,308	7,445	7,579	5,164	4,894
Equity-settled share-based payment expense	1,826	4,648	193	1,914	2,861
Pension scheme contributions	200	175	182	105	53
Total	11,334	12,268	7,954	7,183	7,808

The five highest paid employees for the year ended 31 December 2022 above excluded the resigned employees whose remuneration for that year was negative because of the reversal of equity-settled share-based payment expense as a result of the forfeiture of share options. If the impact of the reversal of equity-settled share-based payment expense is excluded, the five highest paid employees who are not a director of the Target Group in year ended 31 December 2022 included four employees, and the total remuneration of them was RMB28,645,000.

The number of non-Director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2024 (Unaudited)	Six months ended 30 June 2025
HKD2,000,000 to 2,500,000	1	–	–	2	1
HKD2,500,000 to 3,000,000	–	–	2	–	1
HKD3,000,000 to 3,500,000	–	–	1	1	1
HKD3,500,000 to 4,000,000	3	1	–	–	–
HKD4,000,000 to 4,500,000	–	1	–	–	–
HKD4,500,000 to 5,000,000	–	–	–	–	–
HKD5,000,000 to 5,500,000	–	–	–	–	–
HKD5,500,000 to 6,000,000	–	1	–	–	–

11. INCOME TAX EXPENSE

The Target Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate. The provision for Chinese mainland current income tax is based on a statutory rate of 25% of the assessable profits for the Relevant Periods as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for two subsidiaries in Chinese mainland, which were taxed at preferential rate of 15%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing or applicable tax laws in the jurisdictions in which the Target Group operates.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Edgingpharm (Asia) Macao Commercial Offshore Limited, a subsidiary of the Target Group registered in Macau under the Macau Complementary Income Tax Law. Since 2021, the complementary income tax is imposed on a fix rate of 12% for assessable profits. Assessable profits below MOP32,000 are exempted from tax. With effect from 2014, exemption allowance for profit tax assessment has been increased to MOP600,000.

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Current					
Charge for the year/period	26,379	54,404	84,054	45,553	68,187
Overprovision/(under provision) in prior years	415	(1,379)	(1,450)	(1,450)	2,014
Deferred tax (<i>note 18</i>)	(7,861)	(30,025)	11,992	(2,981)	(7,609)
Total tax expense for the year/period	<u>18,933</u>	<u>23,000</u>	<u>94,596</u>	<u>41,122</u>	<u>62,592</u>

A reconciliation of the tax expense applicable to profit or loss before tax at the statutory tax rates for the jurisdictions in which the Target and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Profit before tax	<u>325,278</u>	<u>331,019</u>	<u>482,482</u>	<u>313,135</u>	<u>177,158</u>
Effect of different tax rates of each subsidiary	46,175	79,433	109,941	51,097	28,150
Lower tax rate for specific subsidiaries enacted by respective jurisdictions	–	(19,706)	(24,587)	(8,742)	(7,664)
Expenses not deductible for tax and additional deduction of tax	30,103	(3,365)	6,984	2,375	32,951
Income not subject to tax	(34,238)	(3,293)	(1,576)	(371)	(454)
Unrecognized tax losses/deductible temporary differences	2,956	2,212	6,220	1,290	7,637
Utilization and recognition of tax losses/deductible temporary differences not recognized from previous year	(26,478)	(30,902)	(936)	(3,077)	(42)
Adjustments in respect of current tax of previous year	<u>415</u>	<u>(1,379)</u>	<u>(1,450)</u>	<u>(1,450)</u>	<u>2,014</u>
Tax expense at the Target Group's effective rate	<u>18,933</u>	<u>23,000</u>	<u>94,596</u>	<u>41,122</u>	<u>62,592</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

12. DIVIDENDS

A special dividend of US\$10,000,000 (equivalent to RMB67,405,000) and US\$10,000,000 (equivalent to RMB67,737,000) had been declared by the Target to the shareholders on a pro-rata basis according to the shares held by them on 5 August 2022 and 6 February 2023, respectively, of which US\$6,992,000 (equivalent to RMB50,144,000) remained unpaid as at 30 June 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 for the year ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2024 and 2025, attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the respective years/periods.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2022 and 2023 in respect of a dilution as the impact of the liability component of puttable ordinary shares outstanding during the year had an anti-dilutive effect on the basic earnings per share amount presented.

The Target Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2024 and the six months ended 30 June 2024 and 2025.

The calculation of basic and diluted earnings per share are based on:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
<u>Earnings</u>					
Profit attributable to ordinary equity holders of the parent	<u>306,345</u>	<u>308,019</u>	<u>387,886</u>	<u>272,013</u>	<u>114,566</u>
	<u>Number of shares</u>				
	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2024 (Unaudited)	Six months ended 30 June 2025
<u>Shares</u>					
Weighted average number of ordinary shares outstanding during the year	<u>556,966,675</u>	<u>508,195,894</u>	<u>505,015,679</u>	<u>505,015,679</u>	<u>505,015,679</u>

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

At 1 January 2022

Cost

Accumulated depreciation and impairment

Net carrying amount

At 1 January 2022, net of accumulated depreciation and impairment

Additions

Disposals

Depreciation provided during the year

Transfers

Exchange realignment

At 31 December 2022, net of accumulated depreciation and impairment

At 31 December 2022:

Cost

Accumulated depreciation and impairment

Net carrying amount

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022							
Cost	60,227	72,379	114,561	12,300	3,340	42,192	304,999
Accumulated depreciation and impairment	(9,418)	(16,026)	(44,002)	(7,393)	(1,268)	–	(78,107)
Net carrying amount	50,809	56,353	70,559	4,907	2,072	42,192	226,892
At 1 January 2022, net of accumulated depreciation and impairment	50,809	56,353	70,559	4,907	2,072	42,192	226,892
Additions	–	–	53	120	–	58,297	58,470
Disposals	(13)	–	(602)	(19)	–	–	(634)
Depreciation provided during the year	(3,014)	(7,144)	(14,121)	(1,365)	(407)	–	(26,051)
Transfers	144	–	16,812	25	–	(16,981)	–
Exchange realignment	–	–	(20)	2	8	–	(10)
At 31 December 2022, net of accumulated depreciation and impairment	47,926	49,209	72,681	3,670	1,673	83,508	258,667
At 31 December 2022:							
Cost	60,356	72,379	130,689	12,551	3,390	83,508	362,873
Accumulated depreciation and impairment	(12,430)	(23,170)	(58,008)	(8,881)	(1,717)	–	(104,206)
Net carrying amount	47,926	49,209	72,681	3,670	1,673	83,508	258,667

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

31 December 2023

At 1 January 2023

Cost

Accumulated depreciation and impairment

Net carrying amount

At 1 January 2023, net of accumulated depreciation and impairment

Additions

Disposals

Depreciation provided during the year

Transfers

Exchange realignment

At 31 December 2023, net of accumulated depreciation and impairment

At 31 December 2023:

Cost

Accumulated depreciation and impairment

Net carrying amount

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023							
Cost	60,356	72,379	130,689	12,551	3,390	83,508	362,873
Accumulated depreciation and impairment	(12,430)	(23,170)	(58,008)	(8,881)	(1,717)	–	(104,206)
Net carrying amount	47,926	49,209	72,681	3,670	1,673	83,508	258,667
At 1 January 2023, net of accumulated depreciation and impairment	47,926	49,209	72,681	3,670	1,673	83,508	258,667
Additions	–	4,631	–	577	–	33,236	38,444
Disposals	–	–	(1,147)	(83)	(19)	–	(1,249)
Depreciation provided during the year	(3,046)	(7,476)	(12,894)	(655)	(605)	–	(24,676)
Transfers	196	–	1,451	283	12	(1,942)	–
Exchange realignment	–	–	(15)	–	–	–	(15)
At 31 December 2023, net of accumulated depreciation and impairment	45,076	46,364	60,076	3,792	1,061	114,802	271,171
At 31 December 2023:							
Cost	60,552	77,010	130,757	13,344	3,361	114,802	399,826
Accumulated depreciation and impairment	(15,476)	(30,646)	(70,681)	(9,552)	(2,300)	–	(128,655)
Net carrying amount	45,076	46,364	60,076	3,792	1,061	114,802	271,171

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

31 December 2024

At 1 January 2024

Cost

Accumulated depreciation and impairment

Net carrying amount

At 1 January 2024, net of accumulated depreciation and impairment

Additions

Disposals

Depreciation provided during the year

Impairment*

Transfers

Exchange realignment

At 31 December 2024, net of accumulated depreciation and impairment

At 31 December 2024:

Cost

Accumulated depreciation and impairment

Net carrying amount

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost	60,552	77,010	130,757	13,344	3,361	114,802	399,826
Accumulated depreciation and impairment	(15,476)	(30,646)	(70,681)	(9,552)	(2,300)	–	(128,655)
Net carrying amount	45,076	46,364	60,076	3,792	1,061	114,802	271,171
At 1 January 2024, net of accumulated depreciation and impairment	45,076	46,364	60,076	3,792	1,061	114,802	271,171
Additions	–	337	47	834	452	28,405	30,075
Disposals	(95)	–	(248)	(3)	–	–	(346)
Depreciation provided during the year	(3,076)	(9,714)	(14,001)	(1,517)	(212)	–	(28,520)
Impairment*	(846)	–	(265)	–	–	(1,118)	(2,229)
Transfers	950	15,135	32,168	1,989	61	(50,303)	–
Exchange realignment	–	–	–	2	–	–	2
At 31 December 2024, net of accumulated depreciation and impairment	42,009	52,122	77,777	5,097	1,362	91,786	270,153
At 31 December 2024:							
Cost	61,315	92,482	162,590	16,111	3,887	92,904	429,289
Accumulated depreciation and impairment	(19,306)	(40,360)	(84,813)	(11,014)	(2,525)	(1,118)	(159,136)
Net carrying amount	42,009	52,122	77,777	5,097	1,362	91,786	270,153

* As at 31 December 2024, certain idle assets had been fully impaired with total carrying amount of RMB2,229,000. The Directors were of the view that such idle assets would not be sued in the future and the fair value was assessed to be minimal.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

30 June 2025

At 1 January 2025

Cost

Accumulated depreciation and impairment

Net carrying amount

At 1 January 2025, net of accumulated depreciation and impairment

Additions

Depreciation provided during the period

Transfers

At 30 June 2025, net of accumulated depreciation and impairment

At 30 June 2025:

Cost

Accumulated depreciation and impairment

Net carrying amount

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2025							
Cost	61,315	92,482	162,590	16,111	3,887	92,904	429,289
Accumulated depreciation and impairment	(19,306)	(40,360)	(84,813)	(11,014)	(2,525)	(1,118)	(159,136)
Net carrying amount	42,009	52,122	77,777	5,097	1,362	91,786	270,153
At 1 January 2025, net of accumulated depreciation and impairment	42,009	52,122	77,777	5,097	1,362	91,786	270,153
Additions	–	–	689	544	7,348	10,857	19,438
Depreciation provided during the period	(1,461)	(4,958)	(6,321)	(840)	(225)	–	(13,805)
Transfers	367	914	27,899	191	1	(29,372)	–
At 30 June 2025, net of accumulated depreciation and impairment	40,915	48,078	100,044	4,992	8,486	73,271	275,786
At 30 June 2025:							
Cost	61,682	93,396	190,182	16,824	11,198	74,389	447,671
Accumulated depreciation and impairment	(20,767)	(45,318)	(90,138)	(11,832)	(2,712)	(1,118)	(171,885)
Net carrying amount	40,915	48,078	100,044	4,992	8,486	73,271	275,786

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

15. LEASES

The Target Group as a lessee

The Target Group has lease contracts for offices. Leases of offices generally have lease terms between 2 and 9 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 26 years, and no ongoing payments will be made under the terms of these land leases. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Right-of-use assets

The movements of right-of-use assets during the Relevant Periods are as follows:

	Prepaid land lease payments RMB'000	Offices RMB'000	Total RMB'000
At 1 January 2022	13,651	59,563	73,214
Additions	–	5,449	5,449
Termination	–	(23,528)	(23,528)
Depreciation charge	(567)	(19,512)	(20,079)
Exchange realignment	–	(212)	(212)
At 31 December 2022	13,084	21,760	34,844
Additions	–	31,903	31,903
Depreciation charge	(567)	(16,738)	(17,305)
Exchange realignment	–	(8)	(8)
At 31 December 2023	12,517	36,917	49,434
Additions	–	18,872	18,872
Depreciation charge	(565)	(17,033)	(17,598)
Exchange realignment	–	(72)	(72)
At 31 December 2024	11,952	38,684	50,636
Additions	–	24,191	24,191
Depreciation charge	(283)	(11,274)	(11,557)
Exchange realignment	–	184	184
At 30 June 2025	11,669	51,785	63,454

(b) Lease liabilities

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Current				
Lease liabilities	8,074	14,525	13,951	18,868
Non-current				
Lease liabilities	14,943	24,133	27,038	35,794
Total	23,017	38,658	40,989	54,662

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The maturity analysis of lease liabilities is as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Analyzed into:				
Lease liabilities repayable				
Within one year or on demand	8,074	14,525	13,951	18,868
In the second year	4,679	14,172	20,859	15,606
In the third to fifth years, inclusive	5,046	7,514	6,179	20,188
Beyond five years	5,218	2,447	–	–
Total	<u>23,017</u>	<u>38,658</u>	<u>40,989</u>	<u>54,662</u>

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	Offices RMB'000
Carrying amount at 1 January 2022	61,335
New leases	5,449
Accretion of interest recognized during the year	2,591
Termination	(21,671)
Payments	(24,465)
Exchange realignment	(222)
Carrying amount at 31 December 2022	23,017
New leases	31,903
Accretion of interest recognized during the year	1,758
Payments	(18,000)
Exchange realignment	(20)
Carrying amount at 31 December 2023	38,658
New leases	18,872
Accretion of interest recognized during the year	1,654
Payments	(18,113)
Exchange realignment	(82)
Carrying amount at 31 December 2024	40,989
New leases	24,191
Accretion of interest recognized during the period	949
Payments	(11,491)
Exchange realignment	24
Carrying amount at 30 June 2025	<u>54,662</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The amounts recognized in the profit or loss in relation to leases are as follows:

	Year ended 31 December 2022 <i>RMB'000</i>	Year ended 31 December 2023 <i>RMB'000</i>	Year ended 31 December 2024 <i>RMB'000</i>	Six months ended 30 June 2024 <i>RMB'000</i>	Six months ended 30 June 2025 <i>RMB'000</i>
Interest on lease liabilities	2,591	1,758	1,654	887	949
Depreciation charge on right-of-use assets	20,079	17,305	17,598	8,501	11,557
Expense relating to short-term leases	765	589	816	735	374
Loss on termination of a lease	1,857	–	–	–	–
Total amount recognized in the profit or loss	<u>25,292</u>	<u>19,652</u>	<u>20,068</u>	<u>10,123</u>	<u>12,880</u>

16. GOODWILL

	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2024 <i>RMB'000</i>	As at 30 June 2025 <i>RMB'000</i>
Cost and net carrying amount	<u>112,055</u>	<u>112,055</u>	<u>112,055</u>	<u>112,055</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Ceclor manufacturing and sales cash-generating unit

The recoverable amount of the Ceclor manufacturing and sales cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections were 19.29%, 18.93%, 19.24% and 19.35% for 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, and the growth rates applied to cash flows beyond the five-year period were 2.3%, 2.3%, 2.0% and 2.0% for 31 December 2022, 2023, and 2024 and 30 June 2025, respectively, which were the same as the long-term average growth rate of the pharmaceutical products industry.

Assumptions were used in the value in use calculation of the Ceclor manufacturing and sales cash-generating unit for 31 December 2022, 2023 and 2024 and 30 June 2025. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of Ceclor products and discount rates are consistent with external information sources.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Based on the estimate of the directors of the Target, as at 31 December 2022, 2023 and 2024 and 30 June 2025, the recoverable amount exceeded the carrying amount by RMB475,613,000, RMB491,441,000, RMB555,605,000 and RMB594,632,000, respectively.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, an increase in the discount rate from 19.29% to 29.78%, from 18.93% to 46.77%, from 19.24% to 57.03% and from 19.35% to 61.71% respectively, or a decrease in budgeted gross margins for each forecast period by 16%, 21%, 18% and 23%, respectively, would cause the carrying amount of the cash-generating unit to exceed its recoverable amount. In the opinion of the directors of the Target, any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

17. OTHER INTANGIBLE ASSETS

	Distribution rights and medicine licenses <i>RMB'000</i>	Software <i>RMB'000</i>	Trademark <i>RMB'000</i>	Know-how license and medical rights <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022					
At 1 January 2022:					
Cost	76,701	47,775	460,523	2,239,178	2,824,177
Accumulated amortization and impairment	(48,757)	(8,672)	(39,946)	(146,526)	(243,901)
Net carrying amount	<u>27,944</u>	<u>39,103</u>	<u>420,577</u>	<u>2,092,652</u>	<u>2,580,276</u>
Cost at 1 January 2022, net of accumulated amortization and impairment	27,944	39,103	420,577	2,092,652	2,580,276
Additions	–	2,686	–	–	2,686
Disposal	–	(185)	–	–	(185)
Amortization provided during the year	(6,069)	(6,522)	(19,540)	(71,673)	(103,804)
Exchange realignment	<u>2,392</u>	<u>–</u>	<u>38,248</u>	<u>191,092</u>	<u>231,732</u>
At 31 December 2022	<u>24,267</u>	<u>35,082</u>	<u>439,285</u>	<u>2,212,071</u>	<u>2,710,705</u>
At 31 December 2022 and at 1 January 2023:					
Cost	51,350	50,142	503,060	2,446,002	3,050,554
Accumulated amortization and impairment	(27,083)	(15,060)	(63,775)	(233,931)	(339,849)
Net carrying amount	<u>24,267</u>	<u>35,082</u>	<u>439,285</u>	<u>2,212,071</u>	<u>2,710,705</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Distribution rights and medicine licenses <i>RMB'000</i>	Software <i>RMB'000</i>	Trademark <i>RMB'000</i>	Know-how license and medical rights <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023					
At 1 January 2023:					
Cost	51,350	50,142	503,060	2,446,002	3,050,554
Accumulated amortization and impairment	<u>(27,083)</u>	<u>(15,060)</u>	<u>(63,775)</u>	<u>(233,931)</u>	<u>(339,849)</u>
Net carrying amount	<u>24,267</u>	<u>35,082</u>	<u>439,285</u>	<u>2,212,071</u>	<u>2,710,705</u>
Cost at 1 January 2023, net of accumulated amortization and impairment	24,267	35,082	439,285	2,212,071	2,710,705
Additions	346,982	856	–	–	347,838
Amortization provided during the year	(16,079)	(5,784)	(20,403)	(74,840)	(117,106)
Exchange realignment	<u>(6,115)</u>	<u>1</u>	<u>7,371</u>	<u>37,225</u>	<u>38,482</u>
At 31 December 2023	<u>349,055</u>	<u>30,155</u>	<u>426,253</u>	<u>2,174,456</u>	<u>2,979,919</u>
At 31 December 2023 and at 1 January 2024:					
Cost	392,741	50,999	511,590	2,487,479	3,442,809
Accumulated amortization and impairment	<u>(43,686)</u>	<u>(20,844)</u>	<u>(85,337)</u>	<u>(313,023)</u>	<u>(462,890)</u>
Net carrying amount	<u>349,055</u>	<u>30,155</u>	<u>426,253</u>	<u>2,174,456</u>	<u>2,979,919</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Distribution rights and medicine licenses <i>RMB'000</i>	Software <i>RMB'000</i>	Trademark <i>RMB'000</i>	Know-how license and medical rights <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2024					
At 1 January 2024:					
Cost	392,741	50,999	511,590	2,487,479	3,442,809
Accumulated amortization and impairment	(43,686)	(20,844)	(85,337)	(313,023)	(462,890)
	<u>349,055</u>	<u>30,155</u>	<u>426,253</u>	<u>2,174,456</u>	<u>2,979,919</u>
Net carrying amount	<u>349,055</u>	<u>30,155</u>	<u>426,253</u>	<u>2,174,456</u>	<u>2,979,919</u>
Cost at 1 January 2024, net of accumulated amortization and impairment	349,055	30,155	426,253	2,174,456	2,979,919
Additions	191,218	2,468	–	103,430	297,116
Disposal	(94,257)	–	–	–	(94,257)
Amortization provided during the year	(49,360)	(5,142)	(20,579)	(98,972)	(174,053)
Impairment during the year	–	(34)	–	–	(34)
Exchange realignment	5,158	1	6,154	33,262	44,575
	<u>401,814</u>	<u>27,448</u>	<u>411,828</u>	<u>2,212,176</u>	<u>3,053,266</u>
At 31 December 2024	<u>401,814</u>	<u>27,448</u>	<u>411,828</u>	<u>2,212,176</u>	<u>3,053,266</u>
At 31 December 2024:					
Cost	486,413	53,469	519,225	2,629,858	3,688,965
Accumulated amortization and impairment	(84,599)	(26,021)	(107,397)	(417,682)	(635,699)
	<u>401,814</u>	<u>27,448</u>	<u>411,828</u>	<u>2,212,176</u>	<u>3,053,266</u>
Net carrying amount	<u>401,814</u>	<u>27,448</u>	<u>411,828</u>	<u>2,212,176</u>	<u>3,053,266</u>
30 June 2025					
Cost at 1 January 2025, net of accumulated amortization and impairment	401,814	27,448	411,828	2,212,176	3,053,266
Additions	–	241	–	–	241
Amortization provided during the period	(26,614)	(2,401)	(10,386)	(54,866)	(94,267)
Exchange realignment	(829)	(2)	(962)	(6,262)	(8,055)
	<u>374,371</u>	<u>25,286</u>	<u>400,480</u>	<u>2,151,048</u>	<u>2,951,185</u>
At 30 June 2025	<u>374,371</u>	<u>25,286</u>	<u>400,480</u>	<u>2,151,048</u>	<u>2,951,185</u>
At 30 June 2025:					
Cost	477,850	53,707	517,990	2,622,427	3,671,974
Accumulated amortization and impairment	(103,479)	(28,421)	(117,510)	(471,379)	(720,789)
	<u>374,371</u>	<u>25,286</u>	<u>400,480</u>	<u>2,151,048</u>	<u>2,951,185</u>
Net carrying amount	<u>374,371</u>	<u>25,286</u>	<u>400,480</u>	<u>2,151,048</u>	<u>2,951,185</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

On 28 January 2013, the Target Group entered into an agreement with GlaxoSmithKline China (GSK), whereby the Target Group acquired from GSK the exclusive right in Chinese mainland to import, market, promote, distribute and sell Tykerb, an oncology product for the treatment of breast cancer. Considering that (i) acting as an exclusive marketer and distributor is not the Target Group's strategic focus and (ii) the removal of Tykerb from the National Drug Reimbursement List ("NDRL") in November 2019, the Target Group recognized full impairment loss of RMB6,688,000 on the exclusive drug right of Tykerb in 2021 as the management assessed that the exclusive drug right of Tykerb would not generate any net cash inflows in the future and the recoverable amount of the drug right was assessed to be nil. At the end of 2022, the exclusive marketing and distribution agreement for Tykerb has been terminated, and relevant cost, accumulated amortization and impairment were accounted for as a disposal.

On 1 November 2019, the Target Group entered into an agreement with an independent third party, pursuant to which the Target Group agreed to acquire know-how licenses for a drug at a total consideration of RMB415 million (or GBP47.5 million). Such know-how license was expected to be used in the manufacture of drug in 2023. At the end of May 2020, the acquisition had been properly and legally settled. As at 31 December 2022 and 2023, the carrying amounts of know-how were RMB420 million and RMB427 million, respectively. The know-how license related to intangible asset was not yet available for use as at 31 December 2022 and 2023, and therefore was tested for impairment according to the accounting standards. No impairment loss was recognized according to the impairment test.

The Target Group used the income approach to evaluate the recoverable amount of such intangible asset, which involved cash flow projections of the related cash-generating unit.

The recoverable amount of such cash-generating unit has been determined based on a value in use calculation using cash flow projections with detail forecast period from the end of each of reporting periods till 2026, when production is expected to reach stable status. The know-how license has been used in localized production in Chinese mainland starting from February 2024. Based on the estimation of management, it will take another three years to achieve stable operations.

Assumptions were used in the value in use calculation of such cash-generating unit as at 31 December 2022 and 2023. The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of the recoverable amount:

Discount rates – The pre-tax discount rates 2022 and 2023 are 21.2% and 21.7%, respectively.

Attrition rates – Attrition rates used are determined by reference to the average market level, representing the rate of attrition of techniques with time.

Based on the estimate of the directors of the Target, as at 31 December 2022 and 2023, the recoverable amount of such cash-generating unit exceeded the carrying amount by RMB317,259,000 and RMB411,642,000 respectively.

In the opinion of the directors of the Target, as at 31 December 2022 and 2023, an increase in the discount rate from 21.2% to 32.8% and from 21.7% to 39.7% would cause the carrying amount to exceed the recoverable amount, respectively. As at 31 December 2022 and 2023, an increase in the attrition rate from 4% to 12% and from 4% to 14% would cause the carrying amount of such cash-generating unit to exceed its recoverable amount, respectively, and any reasonably possible change in the other material assumptions on which the recoverable amount is based would not cause the know-how license's carrying amount to exceed its recoverable amount.

In February 2024, the Target Group began to locally manufacture the drug, and the Target Group started to amortize the know-how license since then.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Unrealized profit in inventories RMB'000	Accrued expenses RMB'000	Impairment of financial assets and long-term assets and provision for inventories RMB'000	Tax losses RMB'000	Fair value difference of assets RMB'000	Lease liabilities RMB'000	Withholding tax RMB'000	Deferred grants RMB'000	Total RMB'000
Gross deferred tax assets and at 1 January 2022	-	-	-	5,207	-	15,130	-	-	20,337
Deferred tax credited/(charged) to profit or loss during the year (note 11)	4,033	2,676	126	(5,207)	6,649	(9,515)	3,594	-	2,356
Gross deferred tax assets at 31 December 2022	4,033	2,676	126	-	6,649	5,615	3,594	-	22,693
Deferred tax credited/(charged) to profit or loss during the year (note 11)	12,127	24,335	2,227	114	(3,234)	2,422	6,188	612	44,791
Exchange realignment	-	32	-	-	-	-	-	-	32
Gross deferred tax assets at 31 December 2023	16,160	27,043	2,353	114	3,415	8,037	9,782	612	67,516
Deferred tax (charged)/credited to profit or loss during the year (note 11)	(2,100)	7,683	(957)	(64)	875	876	(2,928)	234	3,619
Exchange realignment	-	36	-	-	-	-	-	-	36
Gross deferred tax assets at 31 December 2024	14,060	34,762	1,396	50	4,290	8,913	6,854	846	71,171
Deferred tax credited/(charged) to profit or loss during the year (note 11)	15,962	(2,220)	(619)	102	(394)	(181)	1,461	(11)	14,100
Exchange realignment	-	(43)	-	-	-	-	-	-	(43)
Gross deferred tax assets at 30 June 2025	30,022	32,499	777	152	3,896	8,732	8,315	835	85,228

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Deferred tax liabilities

	Depreciation and amortization <i>RMB'000</i>	Withholding tax <i>RMB'000</i>	Royalty income <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
Gross deferred tax liabilities at 1 January 2022	5,207	–	–	15,130	20,337
Deferred tax (credited)/charged to profit or loss during the year (<i>note 11</i>)	(1,429)	5,529	–	(9,605)	(5,505)
Gross deferred tax liabilities at 31 December 2022	3,778	5,529	–	5,525	14,832
Deferred tax (credited)/charged to profit or loss during the year (<i>note 11</i>)	(704)	2,287	10,999	2,184	14,766
Exchange realignment	–	–	41	–	41
Gross deferred tax liabilities at 31 December 2023	3,074	7,816	11,040	7,709	29,639
Deferred tax (credited)/charged to profit or loss during the year (<i>note 11</i>)	(583)	2,701	12,741	752	15,611
Exchange realignment	–	–	127	–	127
Gross deferred tax liabilities at 31 December 2024	2,491	10,517	23,908	8,461	45,377
Deferred tax (credited)/charged to profit or loss during the year (<i>note 11</i>)	(187)	1,362	5,665	(349)	6,491
Exchange realignment	–	–	(66)	–	(66)
Gross deferred tax liabilities at 30 June 2025	2,304	11,879	29,507	8,112	51,802

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Net deferred tax assets recognized in the consolidated statement of financial position	9,796	40,026	37,357	47,236
Net deferred tax liabilities recognized in the consolidated statement of financial position	1,935	2,149	11,563	13,810
Net deferred tax assets in respect of continuing operations	7,861	37,877	25,794	33,426

The Target Group has tax losses arising from Chinese mainland of RMB43,319,000, RMB33,631,000, RMB76,955,000 and RMB114,145,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively, that will expire in one to five years for offsetting future taxable profit. The Target Group has tax losses arising from regions outside Chinese mainland of RMB28,178,000, RMB24,039,000, RMB17,781,000, and RMB18,483,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

Deferred tax assets have not been recognized in respect of these losses and deferred tax assets have not been recognized for deductible temporary differences of RMB123,608,000, nil, nil and nil as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively 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.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the aggregate amount of temporary differences associated with investments in subsidiaries which deferred tax liabilities have not been recognized, were RMB89,038,000, RMB299,613,000, RMB568,849,000 and RMB575,464,000, respectively, in relation to the undistributed retained earnings generated by the subsidiaries operating in Chinese mainland which may be subject to withholding tax. No deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Target Group's subsidiaries established in Chinese mainland. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Target to its shareholders.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Unlisted equity investment, at fair value	50,000	50,000	50,000	50,000

As at 31 December 2022, 2023 and 2024 and 30 June 2025, unlisted equity investment amounting to RMB50,000,000 was investment in Taizhou EOC Pharma Co., Ltd. ("Taizhou EOC"), which is a related party of the Target Group.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

20. INVENTORIES

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Raw materials	148,444	143,653	177,572	151,286
Spare parts	8,464	8,276	8,657	8,836
Work in progress	30,889	49,869	58,651	38,943
Finished goods	186,719	107,551	309,068	336,638
Impairment	(6,443)	(3,198)	(1,172)	(837)
Total	<u>368,073</u>	<u>306,151</u>	<u>552,776</u>	<u>534,866</u>

21. TRADE AND BILLS RECEIVABLES

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Trade receivables	362,008	356,475	320,457	138,368
Bills receivable	2,530	12,968	–	–
Impairment	(1,703)	(1,633)	(933)	(893)
Total	<u>362,835</u>	<u>367,810</u>	<u>319,524</u>	<u>137,475</u>

The Target Group's trading terms with its customers are mainly on credit. The credit periods are generally between one to six months. For financial management purposes, management normally discounts the letters of credit to banks without the right of recourse within three months after revenue recognition. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group mainly trades with a limited number of creditworthy distributors, there is certain concentration of credit risk, details of which are included in note 40 to the Historical Financial Information. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Within 90 days	337,885	354,842	319,524	137,373
91-180 days	20,382	–	–	102
181-360 days	2,038	–	–	–
Total	<u>360,305</u>	<u>354,842</u>	<u>319,524</u>	<u>137,475</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2025 RMB'000
At beginning of year/period	1,968	1,703	1,633	933
Impairment losses, net (note 7)	(272)	(71)	(702)	(39)
Exchange realignment	7	1	2	(1)
At end of year/period	<u>1,703</u>	<u>1,633</u>	<u>933</u>	<u>893</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

An impairment analysis for trade receivables is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates of trade receivables are based on customers' credit rating and the Target Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The expected credit loss of bills receivable is assessed based on the bills issuing bank's credit rating and loss rate. The expected credit loss on bills receivable as at 31 December 2022 and 2023 and 2024 and 30 June 2025 is assessed to be minimal.

Set out below is the information about the credit risk exposure on the Target Group's trade receivables:

Class of credit rating	Expected credit loss rate %	Gross carrying amount RMB'000	Expected credit losses RMB'000
At 31 December 2022			
Class 1	0.03-0.11	202,643	101
Class 2	0.12-2.64	159,365	1,602
Class 3	100	—	—
Total		<u>362,008</u>	<u>1,703</u>
At 31 December 2023			
Class 1	0.03-0.13	199,893	186
Class 2	0.16-1.44	156,582	1,447
Class 3	100	—	—
Total		<u>356,475</u>	<u>1,633</u>
At 31 December 2024			
Class 1	0.08-0.15	234,936	301
Class 2	0.19-1.17	85,521	632
Class 3	100	—	—
Total		<u>320,457</u>	<u>933</u>
At 30 June 2025			
Class 1	0.03-0.16	77,095	87
Class 2	0.19-1.73	61,273	806
Class 3	100	—	—
Total		<u>138,368</u>	<u>893</u>

Notes:

- Class 1: customers receive external credit ratings equal to or above A- from Standard & Poor's.
- Class 2: customers receive external credit ratings below A- from Standard & Poor's, or customers receive no external credit ratings but have a good credit history.
- Class 3: customers have past due receivables and the Target Group has substantial evidence of irrecoverable for the receivables.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Non-current portion				
Prepayments for exclusive rights on new drugs	400,467	231,671	163,697	162,976
Prepayments for long-term assets	2,071	9,421	–	–
Deposits	3,376	3,039	3,029	5,682
	<u>405,914</u>	<u>244,131</u>	<u>166,726</u>	<u>168,658</u>
Impairment allowance	<u>(190)</u>	<u>(12,139)</u>	<u>(182)</u>	<u>(337)</u>
Total	<u><u>405,724</u></u>	<u><u>231,992</u></u>	<u><u>166,544</u></u>	<u><u>168,321</u></u>
Current portion				
Prepayments	6,990	15,127	33,057	20,934
Deposits	3,268	1,019	2,814	2,818
Other receivables	25,907	28,081	40,225	43,646
Deductible input tax	2,121	1,549	6,648	8,559
	<u>38,286</u>	<u>45,776</u>	<u>82,744</u>	<u>75,957</u>
Impairment allowance	<u>(28)</u>	<u>(61)</u>	<u>(169)</u>	<u>(70)</u>
	<u><u>38,258</u></u>	<u><u>45,715</u></u>	<u><u>82,575</u></u>	<u><u>75,887</u></u>
Total	<u><u>443,982</u></u>	<u><u>277,707</u></u>	<u><u>249,119</u></u>	<u><u>244,208</u></u>

Movements in the loss allowance for prepayments, other receivables and other assets are as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2025 RMB'000
At beginning of year/period	257	218	12,200	351
(Reverse of impairment)/impairment losses on financial assets, net (note 7)	(39)	103	31	56
Impairment of non-current assets (note 7)	–	11,835	–	–
Amounts written off	–	–	(11,937)	–
Exchange realignment	–	44	57	–
At end of year/period	<u><u>218</u></u>	<u><u>12,200</u></u>	<u><u>351</u></u>	<u><u>407</u></u>

Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods on other receivables by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2022, 2023 and 2024, and 30 June 2025, the impairment of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if 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. Otherwise, they were measured based on the lifetime expected credit loss.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

In 2023, a full impairment loss of RMB11,835,000 had been provided for the long-term assets in relation to the prepayment for the exclusive drug rights of a pipeline product in-licensed in 2014 which the Target Group may no longer develop. At the end of 2024, the Target Group reached a settlement agreement with the collaboration partner to receive compensation of US\$3,150,000, and the relevant impairment of the prepayment for the exclusive drug rights was written off.

23. DUE FROM THE CONTROLLING SHAREHOLDER

Due from Mr. Ni, who is the controlling shareholder (the “Controlling Shareholder”) and a Director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2022 RMB'000	Maximum amount outstanding during the year RMB'000	At 1 January 2022 RMB'000	Security held
Mr. Ni Xin	172,460	172,460	–	None

Name	At 31 December 2023 RMB'000	Maximum amount outstanding during the year RMB'000	At 1 January 2023 RMB'000	Security held
Mr. Ni Xin	223,304	223,304	172,460	None

Name	At 31 December 2024 RMB'000	Maximum amount outstanding during the year RMB'000	At 1 January 2024 RMB'000	Security held
Mr. Ni Xin	237,582	237,582	223,304	None

Name	At 30 June 2025 RMB'000	Maximum amount outstanding during the year RMB'000	At 1 January 2025 RMB'000	Security held
Mr. Ni Xin	238,944	238,944	237,582	None

The amounts due from the Controlling Shareholder, as at 31 December 2022, 2023 and 2024 and 30 June 2025, were non-trade in nature, bore interest at rates of 0.60% to 4.66%, and was repayable on demand and unsecured. The amounts of the financial charge for the unsettled balance due from the Controlling Shareholder were RMB1,333,000, RMB6,997,000, RMB9,246,000 and RMB4,611,000 for the years ended 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. The loans are expected to be repaid prior to the Proposed Merger.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Cash at banks	538,063	467,531	507,443	1,114,092
Less: Pledged deposits for bank loans (note 28)	428	404	395,740	335,630
Cash and cash equivalents	<u>537,635</u>	<u>467,127</u>	<u>111,703</u>	<u>778,462</u>

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the cash and bank balances of the Target Group denominated in RMB amounted to RMB405,834,000, RMB242,460,000, RMB73,724,000 and RMB187,816,000, respectively which were not freely convertible into other currencies. However, under Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Trade payables	<u>248,173</u>	<u>187,764</u>	<u>332,164</u>	<u>196,142</u>

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 2 months.

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Within 90 days	230,725	181,593	258,911	57,232
91-180 days	17,126	4,282	53,653	85,309
Over 180 days	<u>322</u>	<u>1,889</u>	<u>19,600</u>	<u>53,601</u>
Total	<u>248,173</u>	<u>187,764</u>	<u>332,164</u>	<u>196,142</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

26. OTHER PAYABLES AND ACCRUALS

		As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	(a)	8,313	1,920	8,992	7,514
Other payables	(b)	99,581	114,614	110,690	80,838
Accruals		126,640	144,885	161,372	105,582
Payroll payables		106,626	127,977	141,818	97,487
Other taxes payables		26,807	28,208	28,360	25,974
Total		<u>367,967</u>	<u>417,604</u>	<u>451,232</u>	<u>317,395</u>

Set out below the other payables and accruals of the Target.

		As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	(b)	2,264	–	668	–
Accruals		18,215	24,142	29,793	25,026
Total		<u>20,479</u>	<u>24,142</u>	<u>30,461</u>	<u>25,026</u>

(a) Contract liabilities represent short-term advances received for the sale of products.

(b) Other payables are non-interest-bearing and repayable on demand.

27. REFUND LIABILITIES

	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	98,647	37,059	31,823	50,141
Additional provision	160,773	186,281	257,126	26,262
Amounts utilized during the year/period	(166,380)	(173,981)	(238,808)	(50,072)
Reversal of unutilized provision	(55,981)	(17,536)	–	–
At end of year/period	<u>37,059</u>	<u>31,823</u>	<u>50,141</u>	<u>26,331</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2022				
		Effective interest rate (%)	Maturity	RMB'000
	Notes			
Current				
Bank loans – unsecured		2-5	2023	508,493
Current portion of long-term bank loans – secured	(b)	13	2023	<u>1,139,126</u>
Subtotal				<u>1,647,619</u>
Non-current				
Other secured bank loans	(c)	18-20	2024	<u>722,051</u>
Subtotal				<u>722,051</u>
Total				<u><u>2,369,670</u></u>

As at 31 December 2023				
		Effective interest rate (%)	Maturity	RMB'000
	Notes			
Current				
Bank loans – unsecured		3-5	2024	621,344
Current portion of long-term bank loans – unsecured		4	2024	89,490
Current portion of long-term bank loans – secured	(b)/(c)	10-20	2024	<u>1,672,095</u>
Total				<u><u>2,382,929</u></u>

As at 31 December 2024				
		Effective interest rate (%)	Maturity	RMB'000
	Notes			
Current				
Bank loans – unsecured		1-5	2025	404,809
Bank loans – secured	(c)	4-5	2025	420,406
Current portion of long-term bank loans – unsecured		4-5	2025	89,990
Current portion of long-term bank loans – secured	(b)/(c)	9-19	2025	<u>1,077,935</u>
Total				<u><u>1,993,140</u></u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 30 June 2025				
	Notes	Effective interest rate (%)	Maturity	RMB'000
Current				
Bank loans – unsecured		1-5	2025-2026	542,529
Bank loans – secured	(c)	4-5	2025	333,284
Current portion of long-term bank loans – unsecured		4	2025	49,500
Current portion of long-term bank loans – secured	(b)/(c)	7-19	2025	963,123
Subtotal				1,888,436
Non-current				
Other secured bank loans	(d)	7-8	2026	530,720
Subtotal				530,720
Total				2,419,156

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Within one year	1,647,619	2,382,929	1,993,140	1,888,436
In the second year	722,051	–	–	530,720
Total	2,369,670	2,382,929	1,993,140	2,419,156

Notes:

- (a) In April 2020, the Target entered into a mezzanine loan agreement with Credit Suisse AG, Singapore Branch (“Credit Suisse”) with total commitment amount of US\$110,000,000. The loan was guaranteed by Mr. Ni Xin and secured by, among others, mortgages over the issued shares (including any other shares issued in the future) and the assets of Excellent Apex Group Limited. In October 2022, the Target repaid the loans and all pledges/guarantees provided by the aforementioned affiliated parties were fully released, and all the puttable ordinary shares issued in prior years in relation to the loan were repurchased.
- (b) In February 2020, Maxi Vantage Limited entered into a loan agreement with Credit Suisse, among others, amounting to US\$200,000,000 for a period of 3 years. In April 2020, Maxi Vantage Limited upsized the loan to US\$220,000,000.

The loan was guaranteed by Eddingpharm Group (Cayman) Holdings Limited (“Eddingpharm Cayman”), Eddingpharm Group Company Limited, Eddingpharm (Asia) Co., Ltd., Eddingpharm (Asia) Macau and the Target and was also secured by, among others, (a) a fixed and floating security over all assets of Maxi Vantage Limited prior to utilization and floating security over Maxi Vantage Limited’s all cash amounting to US\$61,000 for the year ended 31 December 2022; (b) mortgages over all issued share capital of Maxi Vantage Limited; (c) mortgages over all issued share capital of Eddingpharm Group Company Limited; (d) mortgages over all issued share capital of Eddingpharm (Asia) Co., Ltd; (e) mortgages over all issued share capital of Vancocin Italia S.r.L.; (f) a commitment to pledge over all of the equity interests in Maxi Vantage (Suzhou) Co., Ltd.; (g) a commitment to pledge over Ceclor/Vancocin trademarks; and (h) the Debt Service Reserve Account (“DSRA”) Arrangement, which requires the account to maintain an amount determined in US\$equal to the aggregate amount of interest payable in the following three months.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 31 December 2022, the outstanding balances drawn down by the Target Group were RMB1,139,126,000.

In February 2023, Maxi Vantage Limited refinanced the loan borrowed in February 2020 with a new senior term loan led by Bank of China Limited Macau Branch and Bank of China Limited Suzhou Industrial Park Branch with a total credit facility of US\$150,000,000. The facility has a term of 18 months, with option to extend the term to 31 months upon satisfactory test results on certain financial terms. A loan with an amount of US\$110,000,000 was drawn down by the Target Group in February 2023, which is interest bearing at SOFR plus 3%, and a loan with an amount of HKD120,000,000 was drawn down by the Target Group in March 2023, which is interest bearing at HIBOR plus 3%. The loans were guaranteed by Mr. Ni Xin, the Target, Eddingpharm (Asia) Macau, Eddingpharm Group Company Limited, Eddingpharm (Asia) Co., Ltd., Maxi Vantage (Suzhou) Co., Ltd., Eddingpharm (Suzhou) Co., Ltd. (Formerly known as Suzhou Ceclor Pharmaceutical Co., Ltd.), Eddingpharm Suzhou Co., Ltd., Shanghai Eddingpharm Co., Ltd., Vancocin Italia S.r.L., and Excellent Apex Group Limited, secured by the mortgage of the manufacturing facilities in Suzhou, and the pledge of certain equipment, trademarks and the Target's equity interest in some of the subsidiaries.

In August 2024, the Target Group extended the borrowings which ought to be due in August 2024 to September 2025.

As at 31 December 2023, 31 December 2024 and 30 June 2025, the outstanding balance drawn down by the Target Group were RMB864,620,000, RMB667,930,000 and RMB536,914,000, respectively.

In July 2025, the Target repaid the loans and part of pledges/guarantees provided by the aforementioned affiliated parties were still in the process of being released.

- (c) In October 2022, the Target entered into a loan agreement with Abax and SPDBI, to borrow loans amounting to US\$55,000,000 and US\$50,000,000, respectively. Such loans after deducting the amount expressly indicated in the relevant utilization requests for payment of interest of the loans were remitted directly to Credit Suisse AG, Singapore Branch, as partial settlement of the mezzanine loan of US\$110 million with Credit Suisse. The remainder part of the mezzanine loan was settled in cash.

The loan was guaranteed by (a) first ranking fixed security over the entire issued share capital of Excellent Apex Group Limited; (b) first ranking fixed and floating security over all assets (other than assets subject to security under the senior term loan facility) of Excellent Apex Group Limited; (c) first ranking assignment of intercompany loan made to Excellent Apex Group Limited by any group member; (d) negative pledge: any equity interests of Maxi Vantage, any security asset, or any other asset of the Target which is not or does not comprise any security asset, except for those expressly permitted in the facility agreement (including without limitation any security provided under the senior term loan facility); (e) a guarantee provided by Mr. Ni Xin.

In July 2024, the Target Group extended the loan borrowed from SPDBI which ought to be due in October 2024 to October 2025.

In October 2024, the Target Group repaid the loan borrowed from Abax through a new loan of US\$55,000,000 lent by Bank of China Limited Macau Branch. In connection with this new loan, the Target Group pledged cash equal to the aggregate amount of the outstanding principal and three months' interests to the new borrower.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the outstanding balances from SPDBI, Abax and Bank of China Limited Macau Branch to refinance mezzanine drawn down by the Target Group were RMB722,051,000, RMB807,475,000, RMB802,501,000 and RMB759,493,000, respectively.

In July 2025, the Target repaid the loan from Bank of China Limited Macau Branch amounting to RMB333,284,000 and all pledged cash was released.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

- (d) In June 2025, Maxi Vantage Limited refinanced the loan borrowed in February and March 2023 with a new senior term loan led by Shanghai Pudong Development Bank with a total credit facility of RMB 762,846,000. The facility has a term of 21 months, with option to extend the term to 36 months upon satisfactory test results on certain financial terms. A loan with an amount of RMB 543,846,000 was drawn down by the Target Group in June 2025, which is interest bearing at 5.8%. The loans were guaranteed by Mr. Ni Xin, the Target, Eddingpharm (Asia) Macau, Eddingpharm Group Company Limited, Maxi Vantage (Suzhou) Co., Ltd., Eddingpharm (Suzhou) Co., Ltd. (Formerly known as Suzhou Ceclor Pharmaceutical Co., Ltd.), Eddingpharm Suzhou Co., Ltd., Shanghai Eddingpharm Co., Ltd., Vancocin Italia S.r.L., and Excellent Apex Group Limited, secured by the mortgage of the manufacturing facilities in Suzhou, and the pledge of certain equipment, trademarks and the Target's equity interest in some of the subsidiaries.

As at 30 June 2025, the outstanding balance was RMB530,720,000.

29. LIABILITY COMPONENT OF PUTTABLE ORDINARY SHARES

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Liability component of puttable ordinary shares – current	69,646	–	–	–

In 2020, the Target issued 22,819,405 puttable ordinary shares to Abax for a consideration of USD20,000,000. On 28 November 2021, Abax exercised part of the put option mentioned above. On 1 January 2023, Abax exercised the rest of the put option mentioned above and the consideration of US\$10,000,000 (equivalent to RMB67,737,000) was paid on 6 February 2023.

The Target issued 11,017,610 puttable ordinary shares to Credit Suisse, SPDB International (Hong Kong) Limited (“SPDBI”) and Ace City Venture Limited (“Ace City”) at par value in 2020. On 28 October 2022, Credit Suisse, SPDBI and Ace City exercised the put option of the puttable ordinary shares at a consideration of US\$12,140,000 (equivalent to RMB86,473,000).

These ordinary shares will become puttable if the Target Group's listing application subsequently lapses or if an initial public offering is determined to be no longer viable by the board of directors and the holders of the warrants determined to exercise the put option pursuant to the agreements.

30. OTHER LIABILITIES

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Commercialization payments relating to the license-in contract	(a)	–	36,626	34,439	37,338
Government grants related to property, plant and equipment	(b)	–	4,080	5,638	5,568
Total		–	40,706	40,077	42,906

- (a) According to a drug license-in agreement, the Target Group shall make milestone payments to the licensor upon the 3rd, 5th and 8th anniversary since the first commercial sale of the drug in the agreed territory. A liability of RMB35,289,000 has been recognized according to the present value of the future payments in November of 2023 when the first commercial sale occurred.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

- (b) Government grants were received by the Target Group as financial subsidies for capital expenditure incurred for the machineries in December 2023 and January 2024. The amounts are deferred and amortized over the estimated useful lives of the respective assets. There are no unfulfilled conditions or contingencies relating to these grants.

31. SHARE CAPITAL

Shares

	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
Number of authorized shares	2,500,000,000	2,500,000,000	2,500,000,000	2,500,000,000
Par value of each share	USD0.00002	USD0.00002	USD0.00002	USD0.00002
	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2024 <i>RMB'000</i>	As at 30 June 2025 <i>RMB'000</i>
Issued and fully paid:	<u>77</u>	<u>72</u>	<u>72</u>	<u>72</u>

A summary of movements in the Target's share capital is as follows:

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2022	558,898,530	78
Repurchase of shares	<u>(11,017,610)</u>	<u>(1)</u>
At 31 December 2022	547,880,920	77
Repurchase of shares	<u>(42,865,241)</u>	<u>(5)</u>
At 31 December 2023, 2024 and 30 June 2025	<u>505,015,679</u>	<u>72</u>

The Target was incorporated in the Cayman Islands on 8 June 2020. On 28 October 2022, Credit Suisse, SPDBI and Ace City exercised the put option of 11,017,610 ordinary shares with a total consideration of US\$12,140,000 (equivalent to RMB86,473,000). On 1 January 2023, Abax exercised the put option of 12,318,440 ordinary shares and a total consideration of US\$10,000,000 (equivalent to RMB67,737,000) was paid on 6 February 2023. On 7 February 2023, Suremoment Investments Limited exercised the put option of 21,743,984 ordinary shares with a total consideration of US\$24,701,000 (equivalent to RMB167,887,000). On 7 February 2023, OrbiMed, SCC Growth, Pink Crystal China Fund L.P. and NOVEL SKY exercised the put option of 8,802,817 ordinary shares with a total consideration of US\$10,000,000 (equivalent to RMB67,967,000).

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the number of issued shares was 547,880,920, 505,015,679, 505,015,679 and 505,015,679, respectively, and the share capital was RMB77,000, RMB72,000, RMB72,000 and RMB72,000, respectively.

Share-based payment arrangement

Details of the Target's share-based payment arrangements are included in note 33 to the Historical Financial Information.

32. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(a) Share-based payment reserve

Details of the share-based payment arrangements are disclosed in note 33 to the Historical Financial Information.

(b) Capital reserve

The capital reserve represented the capital contributions from the shareholders of the Target Group.

On 7 February 2023, the Target resolved to repurchase 21,743,984 Ordinary Shares held by Suremoment Investments Limited, a company controlled by the Controlling Shareholder, at a total consideration of US\$24,701,000. Accordingly, the capital reserve was reduced by RMB167,883,000.

On 7 February 2023, the Target resolved to repurchase 8,802,817 Series E Ordinary Shares held by certain Series E Investors in an aggregate repurchase price of US\$10,000,000. Accordingly, the capital reserve was reduced by RMB67,966,000.

(c) Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Chinese mainland (the "PRC Subsidiaries"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be reorganized as paid-up capital, provided that the remaining balance after the reorganization is not less than 25% of the registered capital.

33. SHARE-BASED PAYMENT ARRANGEMENT

A parent of the Target and the Target operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Target Group's operations. Unless otherwise agreed by the board of directors in writing, the grantee can exercise up to 25% of the share options at any time during the period commencing from the first anniversary after the date of the Target's initial listing of the shares of the Target (the "Listing Date") and thereafter, commencing from the second anniversary after the Target's Listing Date, an additional up to 25% of the share options granted to such grantee each year (subject to the expiry of the Option Period which should be no more than ten years from the date on which the shares options are duly granted and accepted and the total number of share options granted to such grantee), as long as the grantee continues to be an eligible participant. The Target accounted for these stock options as share-based payments, and evaluated their fair value on the grant date, and accrues expenses in the subsequent vesting period.

In October 2020, the Target granted 41,240,000 share options to certain eligible participants. The exercise price of the share options ranges from US\$0.1 to US\$0.5 per share. Reversals amounting to RMB26,725,000 (or US\$3,955,000 in equivalent), RMB12,942,000 (or US\$1,834,000 in equivalent) and RMB750,000 (or US\$105,000 in equivalent) had been recognized in 2022, 2023 and 2024 majorly due to the forfeiture of share options upon resignation of the employees. Expenses amounting to RMB1,789,000 (or US\$254,000 in equivalent) had been recognized in 2023 as a result of the cancellation of share options upon employees' failure to achieve performance targets. Expenses amounting to RMB2,237,000 (or US\$314,000 in equivalent) had been recognized in 2024 as the result of cancellation of share options, as the Target Group withdrew part of share options granted to the employees for management purposes. Expenses amounting to RMB1,560,000 (or US\$217,000 in equivalent) had been recognized during the period ended 30 June 2025.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

In February 2021, a company which was ultimately controlled by Mr. Ni Xin, agreed to transfer, upon fulfillment of certain conditions, a total number of 11,654,720 ordinary shares of the Target to certain key management and a director of the Target by entering into certain restricted share transfer agreements with such transferees. During the period commencing from the first anniversary of the Listing Date and ending upon the fourth anniversary of the Listing Date, up to 25% of the total restricted shares will be transferred annually. The Target accounted for these transferring of shares as share-based payments. The Target reversed the equity-settled share-based payment expense of RMB12,873,000 (or US\$1,905,000 in equivalent) based on the fair value at the grant date during the year ended 31 December 2022 as a result of the forfeiture upon resignation of the employees.

In April 2021 and June 2021, the Target granted 16,950,000 and 11,820,000 share options to certain eligible participants, respectively. The exercise price of the share options is US\$0.5 per share. The Target accounted for these stock options as share-based payments, and evaluated their fair value on the grant date, and accrues expenses in the subsequent vesting period. Expenses amounting to RMB9,000 (or US\$1,000 in equivalent) and RMB1,926,000 (or US\$273,000 in equivalent) had been recognized during the years ended 31 December 2022 and 2023, respectively. Expenses amounting to RMB2,937,000 (or US\$416,000 in equivalent) had been recognized in 2023 as a result of cancellation of share options upon failure to achieve performance targets of the employees. Reversals amounting to RMB3,015,000 (or US\$424,000 in equivalent) and RMB2,755,000 (or US\$384,000 in equivalent) had been recognized in 2024 and 30 June 2025 majorly due to the forfeiture of share options upon resignation of the employees. Expenses amounting to RMB2,328,000 (or US\$327,000 in equivalent) and RMB1,068,000 (or US\$149,000 in equivalent) had been recognized in 2024 and in the six-month period ended 30 June 2025 as the result of cancellation of share options, as the Target Group withdrew part of share options granted to the employees for management purposes.

In June 2023, the Target canceled 10,355,000 shares options and granted 60,755,180 share options to certain eligible participants, of which 9,405,000 share options were granted as the replacement of the corresponding share options granted by the Target as the modification of the outstanding options from 2020 to 2021, and 950,000 shares options were canceled. The exercise price of the share options ranges from US\$0.1 to US\$0.5 per share. The Target accounted for these stock options as share-based payments, and evaluated their fair value on the grant date, and accrues expenses in the subsequent vesting period. Expenses amounting to RMB39,137,000 (or US\$5,547,000 in equivalent), RMB17,553,000 (or US\$2,466,000 in equivalent) and RMB17,455,000 (or US\$2,430,000 in equivalent) had been recognized during the year ended 31 December 2023, 2024 and the six-month period ended 30 June 2025, respectively. Expenses amounting to RMB723,000 (or US\$103,000 in equivalent) had been recognized in 2023 as a result of cancellation of share options upon employees' failure to achieve performance targets. Expenses amounting to RMB11,310,000 (or US\$1,589,000 in equivalent) and RMB1,596,000 (or US\$222,000 in equivalent) had been recognized in 2024 and in the six-month period ended 30 June 2025 as the result of cancellation of share options, as the Target Group withdrew part of share options granted to the employees for management purposes.

In December 2024, the Target granted 14,730,000 share options to certain eligible participants. The exercise price of the share options is US\$0.5 per share. The Target accounted for these stock options as share-based payments, and evaluated their fair value on the grant date, and accrues expenses in the subsequent vesting period. Expenses amounting to RMB3,631,000 (or US\$510,000 in equivalent) and RMB9,245,000 (or US\$1,287,000 in equivalent) had been recognized in 2024 and in the six-month period ended 30 June 2025, respectively. Expenses amounting to RMB3,819,000 (or US\$532,000 in equivalent) had been recognized in the six-month period ended 30 June 2025 as the result of cancellation of share options, as the Target Group withdrew part of share options granted to the employees for management purposes.

In April 2025, the Target granted 2,400,000 share options to certain eligible participants. The exercise price of the share options is US\$0.5 per share. The Target accounted for these stock options as share-based payments, and evaluated their fair value on the grant date, and accrues expenses in the subsequent vesting period. Expenses amounting to RMB844,000 (or US\$118,000 in equivalent) had been recognized in the six-month period ended 30 June 2025.

The maximum number of shares in respect of which options permitted to be granted by the Target Group under the scheme is 68,750,000 ordinary shares of the Target (the "Scheme Limit"). Options which lapsed and/or canceled in accordance with the terms of the scheme shall not be counted for the purpose of calculating the Scheme Limit, and, subject to the scheme period, the number of shares of which options may be granted under the scheme shall be increased by the same number of options which lapsed and/or which are canceled.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The offer of a grant of share options may be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HKD1 (or in an equivalent amount in RMB) in total by the grantee. The exercise period of the share options granted is subject to the listing on the Main Board of the Stock Exchange and shall not exceed a period of 10 years from the date of grant of the share options (the "Option Period"). The options are exercisable in installments during the exercise period in the manner as follows:

During the period commencing from the 1st anniversary of the Listing Date and ending on the 2nd anniversary of the Listing Date	Up to 25% of the shares that are subject to the option so granted
During the period commencing from the 2nd anniversary of the Listing Date and ending on the 3rd anniversary of the Listing Date	Up to 50% of the shares that are subject to the option so granted less the number of shares which have been exercised
During the period commencing from the 3rd anniversary of the Listing Date and ending on the 4th anniversary of the Listing Date	Up to 75% of the shares that are subject to the option so granted less the number of shares which have been exercised
During the period commencing from the 4th anniversary of the Listing Date and ending upon the expiry of the Option Period	Up to 100% of the shares that are subject to the option so granted less the number of shares which have been exercised

Each 25% of shares to be vested above was accounted for as a separate tranche of share options, and the accumulated expenses related to each tranche were reversed when such tranche expired.

The exercise price of share options is determinable by the Directors but may not be less than US\$0.1 per share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The immediate termination of employment should be accounted for as the forfeiture of share options while the legal expiry is three months after the date of resignation.

The following share options were outstanding during the Relevant Periods:

	Weighted average exercise price <i>US\$ per share</i>	Number of options <i>'000</i>
At 1 January 2022	0.4	68,565
Forfeited during the year*	0.5	(48,155)
At 31 December 2022 and 1 January 2023	0.5	20,410
Granted during the year	0.5	51,350
Canceled during the year	0.5	(1,100)
Forfeited during the year	0.5	(16,795)
At 31 December 2023 and 1 January 2024	0.5	53,865
Granted during the year	0.5	14,730
Canceled during the year	0.5	(3,185)
Forfeited during the year	0.5	(1,400)
At 31 December 2024 and 1 January 2025	0.5	64,010
Granted during the period	0.5	2,400
Canceled during the period	0.5	(1,262)
Forfeited during the period	0.5	(1,738)
At 30 June 2025	0.5	63,410

* The number of options forfeited in 2022 includes 11,654,720 restricted shares to be transferred by Suremoment Investments Limited.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The exercise prices and exercise periods of the share option scheme outstanding as at end of each of the Relevant Periods are as follows:

At 31 December 2022

Number of options '000	Exercise price <i>US\$ per share</i>	Exercise period
60	0.1	Up to 29 October 2030
1,040	0.2	Up to 29 October 2030
8,140	0.5	Up to 29 October 2030
5,650	0.5	Up to 20 April 2031
5,520	0.5	Up to 24 June 2031
<hr/>		
20,410		
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At 31 December 2023

Number of options '000	Exercise price <i>US\$ per share</i>	Exercise period
60	0.1	Up to 29 October 2030
990	0.2	Up to 29 October 2030
4,690	0.5	Up to 29 October 2030
2,725	0.5	Up to 20 April 2031
2,850	0.5	Up to 24 June 2031
42,550	0.5	Up to 9 June 2033
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53,865		
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At 31 December 2024

Number of options '000	Exercise price <i>US\$ per share</i>	Exercise period
930	0.2	Up to 29 October 2030
4,500	0.5	Up to 29 October 2030
2,300	0.5	Up to 20 April 2031
2,700	0.5	Up to 24 June 2031
39,000	0.5	Up to 9 June 2033
14,580	0.5	Up to 18 December 2034
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64,010		
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APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

At 30 June 2025

Number of options 000	Exercise price US\$ per share	Exercise period
930	0.2	Up to 29 October 2030
4,500	0.5	Up to 29 October 2030
2,300	0.5	Up to 20 April 2031
2,700	0.5	Up to 24 June 2031
38,075	0.5	Up to 9 June 2033
12,755	0.5	Up to 18 December 2034
2,150	0.5	Up to 9 April 2035
63,410		

The Target Group recognized expenses of equity-settled share-based payments of RMB33,570,000, RMB33,294,000 and RMB32,832,000 during the years ended 31 December 2023, and 2024 and six months ended 30 June 2025, respectively, and reversed expenses of equity-settled share-based payments of RMB39,589,000 during the year ended 31 December 2022.

The weighted average fair values of each of the outstanding share options as at 31 December 2022, 2023 and 2024 and 30 June 2025, were US\$0.8, US\$0.7, US\$0.7 and US\$0.7, respectively.

The fair values of the share options granted during the years ended 31 December 2022, 2023 and 2024 and 30 June 2025 were RMB178,888,000, RMB218,732,000, RMB81,073,000 and RMB13,581,000, respectively.

The fair value of equity-settled share options granted during the Relevant Periods was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024	As at 30 June 2025
Expected volatility (%)	N/A	45	45	45.5
Risk-free interest rate (%)	N/A	3.8	3.8	4.4
Expected life of options (year)	N/A	10	10	10
Weighted average share price (US\$ per share)	N/A	1	0.8	0.8

The expected life of the options is based on the estimation of when the shares commence listing on the Main Board of the Stock Exchange and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,449,000, RMB31,903,000, RMB18,872,000 and RMB24,191,000, respectively, in respect of lease arrangements for offices.

On 7 February 2023, the Target resolved to repurchase 21,743,984 Ordinary Shares held by Suremoment Investments Limited, a company controlled by the Controlling Shareholder, at a total consideration of US\$24,701,000 (equivalent to RMB167,886,000). The consideration was offset by the loans lent to the Controlling Shareholder of RMB172,460,000 and an exchange difference of RMB4,574,000 was recorded.

On 13 September 2024, the Target Group obtained know-how license and medical rights from independent third parties for a consideration of RMB103,430,000 of which RMB92,769,000 is settled by the exchange of the Target Group's existing drug distribution rights.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2022

	Bank and other loans	Liability component of puttable ordinary shares	Lease liabilities	Dividends payable
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	2,491,733	118,616	61,335	–
Changes from financing cash flows	(564,077)	(86,473)	(24,465)	(56,592)
Interest accrued	266,773	23,891	2,591	–
New leases	–	–	5,449	–
Dividends declared	–	–	–	67,405
Termination	–	–	(21,671)	–
Foreign exchange movement	175,241	13,612	(222)	–
At 31 December 2022	<u>2,369,670</u>	<u>69,646</u>	<u>23,017</u>	<u>10,813</u>

Year ended 31 December 2023

	Bank and other loans	Liability component of puttable ordinary shares	Lease liabilities	Dividends payable
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	2,369,670	69,646	23,017	10,813
Changes from financing cash flows	(277,061)	(67,737)	(18,000)	(31,439)
Interest accrued	274,350	–	1,758	–
New leases	–	–	31,903	–
Dividends declared	–	–	–	67,737
Foreign exchange movement	15,970	(1,909)	(20)	2,414
At 31 December 2023	<u>2,382,929</u>	<u>–</u>	<u>38,658</u>	<u>49,525</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Year ended 31 December 2024

	Bank and other loans <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Dividends payable <i>RMB'000</i>
At 1 January 2024	2,382,929	38,658	49,525
Changes from financing cash flows	(665,065)	(18,113)	–
Interest accrued	257,165	1,654	–
New leases	–	18,872	–
Foreign exchange movement	18,111	(82)	739
	<u>1,993,140</u>	<u>40,989</u>	<u>50,264</u>
At 31 December 2024	<u>1,993,140</u>	<u>40,989</u>	<u>50,264</u>

Six months ended 30 June 2024

	Bank and other loans <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Dividends payable <i>RMB'000</i>
At 1 January 2024	2,382,929	38,658	49,525
Changes from financing cash flows	(220,226)	(8,962)	–
Interest accrued	138,244	887	–
New leases	–	902	–
Foreign exchange movement	13,687	(39)	308
	<u>2,314,634</u>	<u>31,446</u>	<u>49,833</u>
At 30 June 2024	<u>2,314,634</u>	<u>31,446</u>	<u>49,833</u>

Six months ended 30 June 2025

	Bank and other loans <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Dividends payable <i>RMB'000</i>
At 1 January 2025	1,993,140	40,989	50,264
Changes from financing cash flows	342,844	(11,491)	–
Interest accrued	92,633	949	–
New leases	–	24,191	–
Foreign exchange movement	(9,461)	24	(120)
	<u>2,419,156</u>	<u>54,662</u>	<u>50,144</u>
At 30 June 2025	<u>2,419,156</u>	<u>54,662</u>	<u>50,144</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2025 RMB'000
Within operating activities	765	589	816	735	374
Within financing activities	24,465	18,000	18,113	8,962	11,491
Total	25,230	18,589	18,929	9,697	11,865

35. PLEDGE OF ASSETS

Details of the Target Group's bank loans and bank accepted drafts which are secured by the assets of the Target Group, are included in notes 24 and 28, respectively, to the Historical Financial Information.

36. COMMITMENTS

(a) The Target Group had the following contractual commitments at the end of the Relevant Periods:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Plant and machinery	13,814	10,434	7,632	3,859
Intangible assets	54,095	43,906	33,146	17,699
Total	67,909	54,340	40,778	21,558

(b) Other business agreements

The Target Group enters into collaboration agreements with companies for intellectual property licensing transactions. The Target Group may be obligated to make future development, regulatory and commercial milestone payments and royalty payments on future sales of specified products associated with its collaboration agreements. Payments under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded in the Historical Financial Information because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales has been reached, the corresponding amounts are recognized in the Historical Financial Information.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

37. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed detailed about due from the controlling shareholder in note 23 to the Historical Financial Information, the Target Group had the following transactions with related parties during the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025:

During the year of 2024, the Target Group recognized revenue and royalty fee expenses of RMB1,946,000 and RMB1,832,000, respectively, from rendering of promotion services to Taizhou EOC.

Borrowings guaranteed by related parties are included in note 28 to the Historical Financial Information.

- (b) Outstanding balance with a related party:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Due from the Controlling Shareholder (i):				
Mr. Ni Xin	172,460	223,304	237,582	238,944
Prepayments for medicine license (ii):				
Taizhou EOC Pharma Co., Ltd.	–	40,000	–	–
Amounts due from a related party (iii):				
Taizhou EOC Pharma Co., Ltd.	–	–	120	120

- i. The amounts due from the Controlling Shareholder, as at 31 December 2022, 2023 and 2024 and 30 June 2025, were non-trade in nature, bore interest at rate of 0.60% to 4.66%, and were repayable on demand and unsecured. The amounts of financial charge for the unsettled balance due from the Controlling Shareholder were RMB1,333,000, RMB6,997,000, RMB9,246,000 and RMB4,611,000 for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, respectively. The loans are expected to be repaid prior to the Listing. Further details about due from the Controlling Shareholder are set out in Note 23.
- ii. On 9 May 2023, Eddingpharm (Suzhou) Co., Ltd. entered into an agreement to obtain an exclusive sublicense with Taizhou EOC. The prepayments for medicine license were trade in nature. The Target Group made an upfront payment of RMB40,000,000 in 2023 to EOC Taizhou. In 2024, the medicine license received new drug application approval and Target Group made a milestone payment of RMB20,000,000 to EOC Taizhou; the exclusive sublicense was transferred from prepayment to intangible assets.
- iii. The amounts due from Taizhou EOC generated from rendering of promotion services were trade in nature.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

(c) Compensation of key management personnel of the Target Group:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2024 RMB'000	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2025 RMB'000
Short-term employee benefits	28,740	18,968	18,905	7,569	7,790
Equity-settled share-based payment expense*	(51,601)	28,551	17,720	12,869	17,638
Total compensation paid to key management personnel	(22,861)	47,519	36,625	20,438	25,428

* In 2022, equity-settled share-based payment expense included the reversal of accumulated expenses for resigned employees.

(d) Guarantee provided by the related party

During the Relevant Periods, Eddingpharm Cayman, a related company controlled by the Controlling Shareholder, had provided guarantee for Maxi Vantage, a subsidiary of the Target Group, to obtain loans from Credit Suisse. The guarantee was released after the repayment of loans in February 2023. Further details about guarantee provided by the related party are set out in Note 28(b).

(e) Outstanding balances of the Target due from/(due to) the Controlling Shareholder and subsidiaries:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Due from the Controlling Shareholder: Mr. Ni Xin	112,094	–	–	–
Due from/(due to) subsidiaries:				
Eddingpharm Group Company Limited	396,635	371,061	378,654	375,703
Eddingpharm Suzhou Co., Ltd.	100,000	100,496	100,596	100,646
Eddingpharm (Asia) Macao Commercial Offshore Limited	628,903	493,423	75,935	78,158
Eddingpharm (Hong Kong) Company Limited	(1,872)	(3,937)	(9,876)	(8,775)
Total	1,123,666	961,043	545,309	545,732

The outstanding balances of the Target's due from/(due to) the Controlling Shareholder and subsidiaries above were at Target-level and non-trade in nature. The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

(f) The breakdown of investments in subsidiaries of the Target is as below:

	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2024 <i>RMB'000</i>	As at 30 June 2025 <i>RMB'000</i>
Excellent Apex Group Limited	1,031,715	1,049,211	1,064,868	1,062,336
Eddingpharm International Company Limited	31,657	32,193	32,674	32,596
Ease Pacific Limited	315	320	325	324
Total	<u>1,063,687</u>	<u>1,081,724</u>	<u>1,097,867</u>	<u>1,095,256</u>

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through OCI	Total
	Designated as such upon initial recognition <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	–	215,501	147,334	362,835
Financial assets included in prepayments, other receivables and other assets	–	32,333	–	32,333
Financial asset at fair value through profit or loss	50,000	–	–	50,000
Due from the Controlling Shareholder	–	172,460	–	172,460
Pledged deposits	–	428	–	428
Cash and cash equivalents	–	537,635	–	537,635
Total	<u>50,000</u>	<u>958,357</u>	<u>147,334</u>	<u>1,155,691</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade payables	248,173
Financial liabilities included in other payables and accruals	226,221
Interest-bearing bank and other borrowings	2,369,670
Liability component of puttable ordinary shares	69,646
Lease liabilities	23,017
Total	2,936,727

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Designated as such upon initial recognition RMB'000	Financial assets at amortized cost RMB'000	Financial assets at fair value through OCI RMB'000	Total RMB'000
Trade and bills receivables	–	–	217,523	150,287	367,810
Financial assets included in prepayments, other receivables and other assets	–	–	31,819	–	31,819
Financial assets at fair value through profit or loss	50,000	–	–	–	50,000
Due from the Controlling Shareholder	–	–	223,304	–	223,304
Pledged deposits	–	–	404	–	404
Cash and cash equivalents	–	–	467,127	–	467,127
Total	50,000	–	940,177	150,287	1,140,464

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade payables	187,764
Financial liabilities included in other payables, accruals and other liabilities	296,125
Interest-bearing bank and other borrowings	2,382,929
Lease liabilities	38,658
Total	2,905,476

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through OCI	Total
	Designated as such upon initial recognition RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	262,820	56,704	319,524
Financial assets included in prepayments, other receivables and other assets	–	45,717	–	45,717
Amounts due from a related party	–	120	–	120
Financial assets at fair value through profit or loss	50,000	–	–	50,000
Due from the Controlling Shareholder	–	237,582	–	237,582
Pledged deposits	–	395,740	–	395,740
Cash and cash equivalents	–	111,703	–	111,703
Total	50,000	1,053,682	56,704	1,160,386

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade payables	332,164
Financial liabilities included in other payables, accruals and other liabilities	306,501
Interest-bearing bank and other borrowings	1,993,140
Lease liabilities	40,989
Total	2,672,794

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 30 June 2025

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through OCI	Total
	Designated as such upon initial recognition RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	130,341	7,134	137,475
Financial assets included in prepayments, other receivables and other assets	–	51,739	–	51,739
Amounts due from a related party	–	120	–	120
Financial assets at fair value through profit or loss	50,000	–	–	50,000
Due from the Controlling Shareholder	–	238,944	–	238,944
Pledged deposits	–	335,630	–	335,630
Cash and cash equivalents	–	778,462	–	778,462
Total	50,000	1,535,236	7,134	1,592,370

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade payables	196,142
Financial liabilities included in other payables, accruals and other liabilities	223,758
Interest-bearing bank and other borrowings	2,419,156
Lease liabilities	54,662
Total	2,893,718

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			As at 30 June 2025 RMB'000
	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	
Financial assets				
Financial assets at fair value through profit or loss	50,000	50,000	50,000	50,000
Financial assets at fair value through OCI	147,334	150,287	56,704	7,134
Total	197,334	200,287	106,704	57,134
Financial liabilities				
Interest-bearing bank and other borrowings	722,051	–	–	530,720
Total	722,051	–	–	530,720
Fair values				
	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Financial assets				
Financial asset at fair value through profit or loss	50,000	50,000	50,000	50,000
Financial assets at fair value through OCI	147,334	150,287	56,704	7,134
Total	197,334	200,287	106,704	57,134
Financial liabilities				
Interest-bearing bank and other borrowings	722,051	–	–	530,720
Total	722,051	–	–	530,720

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to related parties, and current interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Target Group's finance team headed by the chief finance controller/his or her designator is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the finance head. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance head.

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 non-current interest-bearing other borrowings and a liability component of puttable ordinary shares have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Group's own non-performance risk for long-term liabilities was assessed to be insignificant.

For debt investments at fair value through other comprehensive income, the management estimate their fair values using discounted cash flow method, based on the market discounted rates and the residual due terms of the bills and letter of credit.

The fair value of unlisted equity investments has been estimated using market approach. Management has used the following key inputs to the valuation of unlisted equity investments:

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments together with a quantitative sensitivity analysis during the Relevant Periods.

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Backsolve method	Discount for lack of marketability	As at 31 December 2022: 3%-24%	A 1% increase (decrease) in discount for lack of marketability would result in a decrease (increase) in fair value of RMB536,000 as at 31 December 2022.
		Risk free interest rate	As at 31 December 2022: 2.15%	A 1% increase (decrease) in risk free interest rate would result in a decrease in fair value of RMB286,000 (increase in fair value of RMB385,000) as at 31 December 2022.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Backsolve method	Discount for lack of marketability	As at 31 December 2023: 5%-30%	A 1% increase (decrease) in discount for lack of marketability would result in a decrease (increase) in fair value of RMB562,200 as at 31 December 2023.
		Risk free interest rate	As at 31 December 2023: 2.24%	A 1% increase (decrease) in risk free interest rate would result in a decrease in fair value of RMB727,300 (increase in fair value of RMB986,400) as at 31 December 2023.
Unlisted equity investments	Backsolve method	Discount for lack of marketability	As at 31 December 2024: 5%-30%	A 1% increase (decrease) in discount for lack of marketability would result in a decrease (increase) in fair value of RMB562,200 as at 31 December 2024.
		Risk free interest rate	As at 31 December 2024: 2.24%	A 1% increase (decrease) in risk free interest rate would result in a decrease in fair value of RMB727,300 (increase in fair value of RMB986,400) as at 31 December 2024.
Unlisted equity investments	Backsolve method	Discount for lack of marketability	As at 30 June 2025: 5%-30%	A 1% increase (decrease) in discount for lack of marketability would result in a decrease (increase) in fair value of RMB566,372 as at 30 June 2025.
		Risk free interest rate	As at 30 June 2025: 1.36%	A 1% increase (decrease) in risk free interest rate would result in a decrease in fair value of RMB472,918 (increase in fair value of RMB478,254) as at 30 June 2025.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Unlisted equity investments, at fair value	–	–	50,000	50,000
Financial assets at fair value through OCI	–	147,334	–	147,334
Total	–	147,334	50,000	197,334

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Unlisted equity investments, at fair value	–	–	50,000	50,000
Financial assets at fair value through OCI	–	150,287	–	150,287
Total	–	150,287	50,000	200,287

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Unlisted equity investments, at fair value	–	–	50,000	50,000
Financial assets at fair value through OCI	–	56,704	–	56,704
Total	–	56,704	50,000	106,704

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 30 June 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Unlisted equity investments, at fair value	–	–	50,000	50,000
Financial assets at fair value through OCI	–	7,134	–	7,134
Total	–	7,134	50,000	57,134

Liabilities for which fair values are disclosed

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Long-term interest-bearing other borrowings	–	722,051	–	722,051

As at 30 June 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Long-term interest-bearing other borrowings	–	530,720	–	530,720

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 liabilities or financial assets.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank and other borrowings, a liability component of puttable ordinary shares as well as cash and pledged deposits. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade and bill receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, the Target Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Target 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 summarized below.

(a) Foreign currency risk

The Target Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Target Group's profit before tax.

As at 31 December 2022

	Increase/(decrease) In foreign currency rate %	Increase/(decrease) In profit before tax RMB'000
If RMB weakens against USD	5	(9,638)
If RMB strengthens against USD	(5)	9,638
If RMB weakens against EUR	5	467
If RMB strengthens against EUR	(5)	(467)

As at 31 December 2023

	Increase/(decrease) In foreign currency rate %	Increase/(decrease) In profit before tax RMB'000
If RMB weakens against USD	5	(1,623)
If RMB strengthens against USD	(5)	1,623
If RMB weakens against EUR	5	2,083
If RMB strengthens against EUR	(5)	(2,083)

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 31 December 2024

	Increase/(decrease) In foreign currency rate %	Increase/(decrease) In profit before tax RMB'000
If RMB weakens against USD	5	(2,265)
If RMB strengthens against USD	(5)	2,265
If RMB weakens against EUR	5	2,360
If RMB strengthens against EUR	(5)	(2,360)

As at 30 June 2025

	Increase/(decrease) In foreign currency rate %	Increase/(decrease) In profit before tax RMB'000
If RMB weakens against USD	5	(6,751)
If RMB strengthens against USD	(5)	6,751
If RMB weakens against EUR	5	1,392
If RMB strengthens against EUR	(5)	(1,392)

(b) Credit risk

The Target Group trades only with recognized and creditworthy third parties. It is the Target 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 Target Group's exposure to bad debts is not significant.

The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, trade and bills receivables, amounts due from related parties and deposits, and other receivables and other assets, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There are concentrations of credit risk within the Target Group as the customer bases of the Target Group's trade receivables are narrowly among several large distributors.

At the end of each reporting period, the Target Group had certain concentrations of credit risk as 54%, 38%, 24% and 6% respectively, of the Target Group's trade receivables were due from the Target Group's largest customer as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target 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 31 December 2022, 2023 and 2024 and 30 June 2025. The amounts presented are gross carrying amounts for financial assets.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	2,530	–	–	362,008	364,538
Financial assets included in prepayments, other receivables and other assets – Normal**	32,551	–	–	–	32,551
Due from the Controlling Shareholder – Normal**	172,460	–	–	–	172,460
Pledged deposits – Not yet past due	428	–	–	–	428
Cash and cash equivalents – Not yet past due	537,635	–	–	–	537,635
Total	<u>745,604</u>	<u>–</u>	<u>–</u>	<u>362,008</u>	<u>1,107,612</u>

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	12,968	–	–	356,475	369,443
Financial assets included in prepayments, other receivables and other assets – Normal**	32,139	–	–	–	32,139
Due from the Controlling Shareholder – Normal**	223,304	–	–	–	223,304
Pledged deposits – Not yet past due	404	–	–	–	404
Cash and cash equivalents – Not yet past due	467,127	–	–	–	467,127
Total	<u>735,942</u>	<u>–</u>	<u>–</u>	<u>356,475</u>	<u>1,092,417</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	320,457	320,457
Financial assets included in prepayments, other receivables and other assets – Normal**	46,068	–	–	–	46,068
Amounts due from a related party – Normal**	–	–	–	120	120
Due from the Controlling Shareholder – Normal**	237,582	–	–	–	237,582
Pledged deposits – Not yet past due	395,740	–	–	–	395,740
Cash and cash equivalents – Not yet past due	111,703	–	–	–	111,703
Total	<u>791,093</u>	<u>–</u>	<u>–</u>	<u>320,577</u>	<u>1,111,670</u>

As at 30 June 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	138,368	138,368
Financial assets included in prepayments, other receivables and other assets – Normal**	52,146	–	–	–	52,146
Amounts due from a related party – Normal**	–	–	–	120	120
Due from the Controlling Shareholder – Normal**	238,944	–	–	–	238,944
Pledged deposits – Not yet past due	335,630	–	–	–	335,630
Cash and cash equivalents – Not yet past due	778,462	–	–	–	778,462
Total	<u>1,405,182</u>	<u>–</u>	<u>–</u>	<u>138,488</u>	<u>1,543,670</u>

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the credit risk exposure is disclosed in note 21 to the Historical Financial Information.

** The credit quality of the financial assets included in bills receivables, prepayments, other receivables and other assets and amounts due from related parties 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. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the Historical Financial Information.

(c) Liquidity risk

The Target Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Target Group closely monitors interest-bearing bank and other borrowings which will mature in 12-month periods and makes reliable plan to extend or refinance the debts.

The maturity profile of the Target Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2022

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	1,759,273	919,326	–	2,678,599
Lease liabilities	–	10,257	12,306	5,539	28,102
Trade payables	248,173	–	–	–	248,173
Financial liabilities included in other payables and accruals	226,221	–	–	–	226,221
Liability component of puttable ordinary shares	–	69,646	–	–	69,646
Total	474,394	1,839,176	931,632	5,539	3,250,741

At 31 December 2023

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	3,375,013	–	–	3,375,013
Lease liabilities	–	23,485	36,150	2,518	62,153
Trade payables	187,764	–	–	–	187,764
Financial liabilities included in other payables, accruals and other liabilities	259,499	–	17,575	25,107	302,181
Total	447,263	3,398,498	53,725	27,625	3,927,111

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

At 31 December 2024

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	2,173,660	–	–	2,173,660
Lease liabilities	–	16,432	29,032	–	45,464
Trade payables	332,164	–	–	–	332,164
Financial liabilities included in other payables, accruals and other liabilities	272,062	–	15,658	22,369	310,089
Total	604,226	2,190,092	44,690	22,369	2,861,377

As at 30 June 2025

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	2,024,999	484,113	–	2,509,112
Lease liabilities	–	21,427	37,840	–	59,267
Trade and bills payables	196,142	–	–	–	196,142
Financial liabilities included in other payables, accruals and other liabilities	186,420	–	17,360	24,800	228,580
Total	382,562	2,046,426	539,313	24,800	2,993,101

(d) Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Target Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

APPENDIX I ACCOUNTANTS' REPORT OF THE TARGET GROUP

The Target Group monitors capital using a total debt to total capitalization ratio, which is total debt divided by total equity plus total debt. Total debt includes interest-bearing bank and other borrowings and the liability component of puttable ordinary shares. Total equity includes equity attributable to equity holders of the company and non-controlling interests. The total debt to total capitalization ratios as at the end of the reporting periods were as follows:

	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 30 June 2025 RMB'000
Interest-bearing bank and other borrowings	2,369,670	2,382,929	1,993,140	2,419,156
Liability component of puttable ordinary shares	69,646	—	—	—
Total debt	2,439,316	2,382,929	1,993,140	2,419,156
Equity	1,912,507	1,964,875	2,409,562	2,554,934
Total equity plus total debt	4,351,823	4,347,804	4,402,702	4,974,090
Total debt to total capitalization ratio	56%	55%	45%	49%

41. EVENTS AFTER THE REPORTING PERIOD

There was no significant event that took place after the reporting period and up to the date of approval of this Historical Financial Information.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target, the Target Group or any of the Target Group's subsidiaries in respect of any period subsequent to 30 June 2025.

FINANCIAL INFORMATION OF THE GROUP

This appendix sets out the following financial information of the Group:

- the unaudited interim financial information of the Group for the six months ended 30 June 2025 as extracted from pages 29 to 35 of the interim results announcement of the Company for the six months ended 30 June 2025 published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.genorbio.com) on 29 August 2025;
- the audited consolidated financial statements of the Group for the year ended 31 December 2024 as extracted from pages 101 to 184 of the annual report of the Company for the year ended 31 December 2024 published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.genorbio.com) on 24 April 2025;
- the audited consolidated financial statements of the Group for the year ended 31 December 2023 as extracted from pages 91 to 182 of the annual report of the Company for the year ended 31 December 2023 published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.genorbio.com) on 25 April 2024; and
- the audited consolidated financial statements of the Group for the year ended 31 December 2022 as extracted from pages 77 to 163 of the annual report of the Company for the year ended 31 December 2022 published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.genorbio.com) on 28 April 2023.

The financial information of the Group for the years ended 31 December 2022, 2023 and 2024 have been audited and there was neither any qualified opinion or modified opinion, nor any emphasis of matters or material uncertainties related to going concern contained in the auditors' report in respect of each of the years ended 31 December 2022, 2023 and 2024. The independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2025 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**Independent review report****To the shareholders of Genor Biopharma Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 57 to 73, which comprises the condensed consolidated statement of financial position of Genor Biopharma Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2025 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this 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 HKICPA. 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 HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
29 August 2025

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025

For the six months ended 30 June			
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited) (Restated)
Revenue	6	32,245	14,470
Cost of sales		–	(349)
Gross profit		32,245	14,121
Administrative expenses		(25,113)	(38,548)
Research and development expenses		(74,559)	(109,682)
Net impairment losses on financial assets		(19)	(9,628)
Other income – net		1,750	3,875
Other gain/(loss) – net		(13)	282
Operating loss		(65,709)	(139,580)
Finance income		18,632	12,223
Finance costs		(2,930)	(8,979)
Finance income – net		15,702	3,244
Loss before tax	7	(50,007)	(136,336)
Income tax income/(expenses)	8	(4,366)	1,281
Loss for the period		(54,373)	(135,055)
Attributable to:			
Owners of the Company		(54,266)	(134,465)
Non-controlling interests		(107)	(590)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For loss for the period (in RMB)	10	(0.10)	(0.26)
Diluted			
– For loss for the period (in RMB)	10	(0.10)	(0.26)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 June 2025

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited) (Restated)
LOSS FOR THE PERIOD	(54,373)	(135,055)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	(85)	(5,983)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(85)	(5,983)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	112	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent period	112	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	27	(5,983)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(54,346)	(141,038)
Attributable to:		
Owners of the Company	(54,212)	(140,448)
Non-controlling interests	(134)	(590)
	(54,346)	(141,038)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2025

	<i>Notes</i>	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	11	3,809	4,915
Right-of-use assets		724	904
Intangible assets	12	168,658	100,466
Equity investment designated at fair value through other comprehensive income	15	83,844	83,732
Other receivables, deposits and prepayments		21,514	23,503
Deferred tax assets		9,143	8,915
Total non-current assets		287,692	222,435
CURRENT ASSETS			
Other receivables, deposits and prepayments		27,199	8,503
Cash and bank balances		1,009,907	1,058,790
Total current assets		1,037,106	1,067,293
CURRENT LIABILITIES			
Trade payables	13	172,128	82,825
Other payables and accruals		26,176	26,711
Lease liabilities		356	356
Deferred income		4,030	5,853
Tax payable		7,861	6,341
Total current liabilities		210,551	122,086

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		389	555
Amounts due to a related party	14	482	350
Deferred income		4,335	4,262
Deferred tax liabilities		10,333	10,796
Total non-current liabilities		15,539	15,963
Net asset		1,098,708	1,151,679
EQUITY			
Equity attributable to the ordinary equity holders of the Company			
Share capital		71	70
Share premium		9,489,059	9,477,833
Treasury shares		(747)	(747)
Reserves		(1,493,856)	(1,484,058)
Accumulated losses		(6,895,885)	(6,841,619)
		1,098,642	1,151,479
Non-controlling interests		66	200
Total equity		1,098,708	1,151,679

The financial statements on pages 57 to 73 were approved by the board of directors on 29 August 2025 and were signed on its behalf.

Weng Chengyi

Executive Director and Chief Financial Officer

Yu Tieming

Non-executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2025

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023	69	9,397,851	(5,198)	(1,413,572)	(6,790,336)	1,188,814	1,190,700
Comprehensive loss							
– Loss for the period (restated)	–	–	–	–	(134,465)	(134,465)	(135,055)
– Other comprehensive loss	–	–	–	(5,983)	–	(5,983)	(5,983)
Transaction with owners							
– Share-based payment	–	–	–	4,903	–	4,903	4,903
– Shares exercised under employee option plan and RSU plan	1	74,402	4,451	(78,847)	–	7	7
At 30 June 2024 (unaudited and restated)	70	9,472,253	(747)	(1,493,499)	(6,924,801)	1,053,276	1,054,572
At 31 December 2024 (audited)	70	9,477,833	(747)	(1,484,058)	(6,841,619)	1,151,479	1,151,679
Comprehensive loss							
– Loss for the period	–	–	–	–	(54,266)	(54,266)	(54,373)
– Other comprehensive income/(loss)	–	–	–	54	–	54	27
Transaction with owners							
– Share-based payment	–	–	–	(5,205)	–	(5,205)	(5,205)
– Shares exercised under employee option plan and RSU plan	1	11,226	–	(4,647)	–	6,580	6,580
At 30 June 2025 (unaudited)	71	9,489,059	(747)	(1,493,856)	(6,895,885)	1,098,642	1,098,708

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2025

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited) (Restated)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash used in operations	(49,014)	(172,780)
Interest received	3,783	15,632
Government grant received	241	1,150
Net cash flows used in operating activities	(44,990)	(155,998)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Payments for property and equipment	–	(572)
Placement of term deposits	(751,653)	(909,637)
Proceeds from disposals of property and equipment	8	5,766
Net cash flows used in investing activities	(751,645)	(904,443)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Principal elements of lease payments	(166)	(2,916)
Interest of lease payments	(22)	(97)
Proceeds from issuance of shares exercised under employee option plan	1	1
Net cash flows used in financing activities	(187)	(3,012)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(796,822)	(1,063,453)
Cash and cash equivalents at beginning of period	1,058,790	1,165,481
Effect of foreign exchange rate changes, net	(3,714)	3,538
CASH AND CASH EQUIVALENTS AT END OF PERIOD	258,254	105,566
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,009,907	1,017,797
Non-pledged time deposits with original maturity of more than three months when acquired	(751,653)	(912,231)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	258,254	105,566

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

1 GENERAL INFORMATION

Genor Biopharma Holdings Limited (the “Company”), previously known as JHBP (CY) Holdings Limited, and its subsidiaries (together the “Group”), are principally engaged in developing and commercialising oncology and autoimmune drugs in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2024.

3 CHANGES 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 annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period’s financial information.

Amendments to HKAS 21

Lack of Exchangeability

The nature and impact of the amended HKFRS Accounting Standard are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group’s presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

4 RESTATEMENT OF COMPARATIVE AMOUNTS

As disclosed in the announcement of the Company dated 4 February 2025 and the Company's annual report for the year ended 31 December 2024, the Group identified a suspected misappropriation of funds by a former employee at the end of 2024. The net loss incurred was RMB8,944,000 and had been reflected in the consolidated financial statements of the Group for the year ended 31 December 2024 (please refer to note 19 to the audited consolidated financial statements for the year ended 31 December 2024 for details). In preparing the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2025, the Directors restated the comparative interim condensed consolidated financial statements for the six months ended 30 June 2024.

As at 30 June 2024, assets misappropriated and not recoverable amounted to RMB9,628,000, of which, other income and finance income received but unrecorded amounted to RMB125,000 and RMB733,000, respectively, and on-book cash of RMB8,770,000.

The effect of the restatement on the Group's consolidated financial statements for the six months ended 30 June 2024 are summarised as follows:

	As previously reported RMB'000	As restated RMB'000	Restatement amounts RMB'000
Net impairment losses on financial assets	–	(9,628)	(9,628)
Other income – net	3,750	3,875	125
Finance income	11,490	12,223	733
Finance income – net	2,511	3,244	733
Loss before tax	(127,566)	(136,336)	(8,770)
Loss for the period	(126,285)	(135,055)	(8,770)
Attributable to:			
Owners of the Company	(125,695)	(134,465)	(8,770)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

4 RESTATEMENT OF COMPARATIVE AMOUNTS (CONTINUED)

	As previously reported RMB'000	As restated RMB'000	Restatement amounts RMB'000
Loss per share attributable to ordinary equity holders of the parent			
Basic			
– For loss for the period (in RMB)	(0.25)	(0.26)	(0.01)
Diluted			
– For loss for the period (in RMB)	(0.25)	(0.26)	(0.01)
Total comprehensive loss for the period	(132,268)	(141,038)	(8,770)
Attributable to:			
Owners of the Company	(131,678)	(140,448)	(8,770)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	(163,277)	(172,780)	(9,503)
Interest received	14,899	15,632	733
Net cash flows used in operating activities	(147,228)	(155,998)	(8,770)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,054,683)	(1,063,453)	(8,770)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	114,336	105,566	(8,770)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	1,026,567	1,017,797	(8,770)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	114,336	105,566	(8,770)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

5 OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

The Group has been operating in a single reporting segment, engaging in the discovery, development and commercialisation of biopharmaceutical products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Group regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, the Group's operating results were primarily derived in the PRC.

6 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Licensing revenue	32,245	14,470

The Group has only one segment and no further segment information of revenue is applicable.

7 LOSS BEFORE TAX

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited) (Restated)
Development fee and clinical trial expenses	35,501	52,801
Net exchange loss	8,803	2,820
Net impairment losses on financial assets	19	9,628
Impairment of non-current assets	–	3,617

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

8 INCOME TAX

No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the periods ended 30 June 2025 and 2024. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current-Elsewhere	5,056	–
Deferred	(690)	(1,281)
Total tax charge/(credit) for the period	4,366	(1,281)

9 DIVIDENDS

No dividend has been paid or declared by the Company during the period ended 30 June 2025 and 2024.

10 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 521,205,520 (2024: 509,677,651) outstanding during the period, as adjusted to reflect the rights issue during the period.

The Group had potential dilutive shares for the six months ended 30 June 2025 in relation to the shares held for employee option plan and shares to be issued to Ab Studio Inc. ("ABS") (note 15), which was a non-controlling shareholder of ABT. Due to the Group's loss for the six months ended 30 June 2025, the potential dilutive shares had anti-dilutive effect on the Group's loss per share. Thus, the diluted loss per share is the same as basic loss per share.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

10 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited) (Restated)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	(54,266)	(134,465)
	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares outstanding during the period used in the basic earnings per share calculation	521,205,520	509,677,651

11 PROPERTY AND EQUIPMENT

Assets with a net book value of RMB3,809,000 were disposed of by the Group during the six months ended 30 June 2025 (30 June 2024: RMB4,915,000), resulting in a net loss on disposal of RMB47,000 (30 June 2024: RMB3,077,000).

During the six months ended 30 June 2025, no impairment loss was recognised (30 June 2024: RMB31,472,000).

12 INTANGIBLE ASSETS

During the six months ended 30 June 2025, no impairment loss was recognised (30 June 2024: RMB2,118,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

13 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 1 year	165,469	79,826
Over 1 year	6,659	2,999
Total	172,128	82,825

The carrying amounts approximate to the fair values due to short-term maturities.

14 RELATED PARTY TRANSACTIONS

The executive directors are of the view that the following party that had transactions or balances with the Group is a related party:

Name	Relationship with the Group
ABS	Minority shareholder of ABT

The following significant transactions were carried out between the Group and its related parties during the six-month periods ended 30 June 2025 and 2024. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and on terms negotiated between the Group and the respective related parties.

(a) The Group had the following transactions with a related party during the period:

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Purchase of rental services and utilities	29	293
Purchase of research and development services	–	303
Total	29	596

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

14 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balance with a related party:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Amounts due to a related party		
Non-trade in nature		
ABS (i)	482	350
Less: non-current portion	(482)	(350)
Current portion	–	–

- (i) ABS is the non-controlling shareholder of ABT. The amounts due to ABS are attributable to the contingent consideration for the acquisition of ABT. As at 30 June 2025, the fair value of contingent consideration was approximately RMB482,000. The amount will be payable to ABS upon reaching certain milestone achievements in relation to development progress, regulatory approval and license-out arrangements.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Salaries, bonuses and other benefits	5,799	8,341
Share-based payment expenses (i)	(2,013)	9,707
Pension, social security costs and housing benefits	983	823
Total	4,769	18,871

- (i) The share-based payment expenses were recognised based on the fair value at the grant date.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

15 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's equity investment designated at fair value through other comprehensive income was measured at fair value at the end of the reporting period, the Group applied the back-solve method to determine the fair value of the equity investment. The fair value measurement of this equity investment may involve unobservable inputs such as volatility and risk-free rate.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2025:

	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Unlisted equity investment	Back-solve method	Volatility: 52.58%	Increasing/decreasing expected volatility by 1% would increase/decrease the fair value of financial instruments by RMB330,000 and RMB225,000 respectively
		Risk-free rate: 3.86%	Increasing/decreasing expected risk-free rate by 1% would increase/decrease the fair value of financial instruments by RMB504,000 and RMB745,000 respectively

The Group's contingent consideration in amounts due to a related party was measured at fair value at the end of the reporting period. The valuation techniques used to determine the fair value are based on quoted market prices and the probability of the contingencies at the period end.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

15 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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 both financial assets and financial liabilities (2024: nil).

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2025

	Fair value measurement using			Total	Carrying amounts
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity investment designated at fair value through other comprehensive income	–	–	83,844	83,844	83,844

As at 31 December 2024

	Fair value measurement using			Total	Carrying amounts
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity investment designated at fair value through other comprehensive income	–	–	83,732	83,732	83,732

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

15 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:
(Continued)

Liabilities measured at fair value:

As at 30 June 2025

	Fair value measurement using			Total	Carrying amounts
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contingent consideration in amounts due to a related party	–	482	–	482	482

As at 31 December 2024

	Fair value measurement using			Total	Carrying amounts
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contingent consideration in amounts due to a related party	–	350	–	350	350

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Genor Biopharma Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Genor Biopharma Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 106 to 184, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

The Group recorded revenue of RMB206,229,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024, of which RMB192,031,000 was derived from the license-out contracts with one customer for a pipeline product.

Revenue from the license-out contracts with customers should be recognised when control of licenses and 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 licenses or services.

The above-mentioned license-out revenue was significant to the consolidated statement of profit or loss and other comprehensive income, and the license-out contracts included several types of considerations – including variable considerations, which were subject to professional judgement and estimation. Therefore, the revenue recognition of the license-out contracts was considered as a key audit matter.

The disclosures of revenue from the sale of licenses and services are included in notes 4 and 6 to the consolidated financial statements.

Our audit procedures included, among others:

We evaluated the Group's accounting policies relating to revenue recognition;

We obtained the license-out contracts and reviewed the terms to assess the management's identification of performance obligations, determination of the fair value of the considerations, and the timing of the revenue recognition;

We involved our internal specialists to assist us in the assessment of the methodologies and the assumptions used by management in estimation of the fair value of the considerations obtained from the transaction;

We obtained confirmations from the customers to confirm the amount of revenue consideration received. We also checked bank receipts for cash consideration settlement for the transaction.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis section, which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report not including the consolidated financial statements and our auditor's report thereon, which are expected to be made available after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Ng.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Revenue	6	206,229	–
Cost of revenue		(1,341)	–
Gross profit		204,888	–
Administrative expenses	8	(71,707)	(125,237)
Research and development expenses	8	(202,778)	(564,278)
Impairment losses on financial assets	19	(31,588)	(8,922)
Other income – net	6	37,107	5,649
Other loss – net		(8,475)	(18,408)
Operating loss		(72,553)	(711,196)
Finance income	10	37,703	34,739
Finance costs	10	(282)	(1,039)
Finance income – net		37,421	33,700
Loss before tax		(35,132)	(677,496)
Income tax (expenses)/credit	12	(17,842)	2,280
Loss for the year		(52,974)	(675,216)
Loss attributable to:			
Owners of the Company		(51,283)	(674,362)
Non-controlling interests		(1,691)	(854)
		(52,974)	(675,216)
Other comprehensive income/(loss) for the year, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(11,691)	(745)
<i>Items that may be not reclassified to profit or loss</i>			
– Equity investment designated at fair value through other comprehensive income			
Changes in fair value		13,178	–
Total other comprehensive income/(loss) for the year, net of tax		1,487	(745)
Total comprehensive loss for the year		(51,487)	(675,961)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
	<i>Notes</i>		
Total comprehensive loss for the year attributable to:			
Owners of the Company		(49,801)	(675,107)
Non-controlling interests		(1,686)	(854)
		(51,487)	(675,961)
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share (in RMB)	13	(0.10)	(1.33)
Diluted loss per share (in RMB)	13	(0.10)	(1.33)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment	14	4,915	53,417
Right-of-use assets	15	904	6,720
Intangible assets	16	100,466	110,099
Equity investment designated at fair value through other comprehensive income	17	83,732	–
Other receivables, deposits and prepayments	19	23,503	27,168
Deferred tax assets	28	8,915	8,350
Total non-current assets		222,435	205,754
Current assets			
Inventories		–	5,667
Contract cost		–	1,341
Other receivables, deposits and prepayments	19	8,503	68,634
Cash and bank balances	20	1,058,790	1,165,481
Total current assets		1,067,293	1,241,123
Total assets		1,289,728	1,446,877
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	555	3,924
Amounts due to a related party	27	350	559
Deferred income		4,262	10,574
Deferred tax liabilities	28	10,796	11,595
Total non-current liabilities		15,963	26,652

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
	Notes		
Current liabilities			
Trade payables	25	82,825	141,661
Contract liabilities		–	4,893
Other payables and accruals	26	26,711	75,883
Lease liabilities	15	356	3,231
Amounts due to a related party	27	–	165
Deferred income		5,853	3,692
Tax payable		6,341	–
Total current liabilities		122,086	229,525
Total liabilities		138,049	256,177
EQUITY			
Equity attributable to the ordinary equity holders of the Company			
Share capital	21	70	69
Share premium	21	9,477,833	9,397,851
Treasury shares	21, 22	(747)	(5,198)
Other reserves	23	(1,484,058)	(1,413,572)
Accumulated losses		(6,841,619)	(6,790,336)
		1,151,479	1,188,814
Non-controlling interests		200	1,886
Total equity		1,151,679	1,190,700
Total equity and liabilities		1,289,728	1,446,877

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 106 to 184 were approved by the board of directors on 28 March 2025 and were signed on its behalf.

Weng Chengyi
Executive Director and Chief Financial Officer

Yu Tieming
Non-executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						Non-controlling interests	Total equity
	Notes	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		69	9,375,785	(5,198)	(1,452,204)	(6,115,974)	1,802,478	2,740	1,805,218
Comprehensive loss									
– Loss for the year		–	–	–	–	(674,362)	(674,362)	(854)	(675,216)
– Other comprehensive loss		–	–	–	(745)	–	(745)	–	(745)
Transaction with owners									
– Share-based payment	24	–	–	–	60,910	–	60,910	–	60,910
– Shares exercised under employee option plan and RSU plan	24	–*	21,536	–	(21,533)	–	3	–	3
– Issuance of shares as consideration for a business combination	21	–*	530	–	–	–	530	–	530
Balance at 31 December 2023		69	9,397,851	(5,198)	(1,413,572)	(6,790,336)	1,188,814	1,886	1,190,700

* The balance stated above was less than RMB1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company					Non-	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses	Total	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024		69	9,397,851	(5,198)	(1,413,572)	(6,790,336)	1,188,814	1,190,700
Comprehensive loss								
– Loss for the year		–	–	–	–	(51,283)	(51,283)	(52,974)
– Other comprehensive loss		–	–	–	1,482	–	1,482	1,487
Transaction with owners								
– Share-based payment	24	–	–	–	11,645	–	11,645	11,645
– Shares exercised under employee option plan and restricted share unit ("RSU") plan	24	1	79,125	4,451	(83,613)	–	(36)	(36)
– Shares held for employee share scheme	21	–*	–	–*	–	–	–	–
– Issuance of shares as consideration for a business combination	21	–	857	–	–	–	857	857
Balance at 31 December 2024		70	9,477,833	(747)	(1,484,058)	(6,841,619)	1,151,479	1,151,679

* The balance stated above was less than RMB1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
	Note		
Cash flows from operating activities			
Cash used in operations	30	(161,978)	(447,388)
Interest received		39,999	22,268
Net cash outflow from operating activities		(121,979)	(425,120)
Cash flows from investing activities			
Payments for property and equipment		(1,568)	(1,034)
Proceeds from disposals of property and equipment		9,578	7,021
Net cash inflow from investing activities		8,010	5,987
Cash flows from financing activities			
Principal elements of lease payments		(1,445)	(5,936)
Interest of lease payments		(112)	(888)
Proceeds from issuance of shares exercised under employee option plan		–	2
Net cash outflow from financing activities		(1,557)	(6,822)
Net decrease in cash and bank balances		(115,526)	(425,955)
Cash and bank balances at the beginning of the year		1,165,481	1,588,705
Effect of foreign exchange rate changes, net		8,835	2,731
Cash and bank balances at the end of the year		1,058,790	1,165,481

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,058,790	1,165,481
Cash and cash equivalents as stated in the statement of financial position	1,058,790	1,165,481
Cash and cash equivalents as stated in the statement of cash flows	1,058,790	1,165,481

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Genor Biopharma Holdings Limited (the “Company”), previously known as JHBP (CY) Holdings Limited, and its subsidiaries (together the “Group”), are principally engaged in developing and commercialising oncology and autoimmune drugs in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Genor Biopharma Holdings Limited and its subsidiaries.

(a) Compliance with HKFRSs and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
	<i>Contracts Referencing Nature-dependent Electricity²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7²</i>

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

Certain amendments to accounting standards and interpretation have been published that are not mandatory for the 31 December 2024 reporting period and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates.

The Group mainly operates in the People's Republic of China ("PRC") with most of the transactions settled in RMB. The Company's presentation and currency of the primary economic environment in which the entity operates (the "functional currency") is RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

As at 31 December 2024, the Group had currencies of Hong Kong dollars ("HKD"), United States dollars ("USD") and RMB and was exposed to foreign exchange risk arising from foreign currency transactions.

The amounts denominated on the currency other than the functional currency of the relevant group entity were as follows:

	As at 31 December 2024			As at 31 December 2023		
	HKD RMB'000	USD RMB'000	RMB RMB'000	HKD RMB'000	USD RMB'000	RMB RMB'000
Cash and bank balances	374	1,028,969	18	3,696	182,260	–

The aggregate net foreign exchange gains recognised were:

	Years ended 31 December 2024 RMB'000	Years ended 31 December 2023 RMB'000
Net foreign exchange gains included in finance income	5,015	5,070

The Group's monetary items mainly consisted of cash and bank balances. As at 31 December 2024, if RMB weakened or strengthened by 10% against USD, with all other variables held constant, loss for the year would have been RMB102,897,000 lower or higher (2023: RMB18,226,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

The credit risk of the Group mainly arises from cash and bank balances, and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The credit risk of cash and bank balances is relatively limited, because the counterparties are mainly state-owned or public-listed commercial banks.

(i) *Impairment of financial assets*

The Group has one type of financial assets that are subject to the expected credit loss model as at end of this year:

- Other receivables

While cash and bank balances are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on other receivables are presented net of impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward-looking information.

The Group assesses the 12-month expected credit losses for other receivables upon initial recognition. Once there is a significant increase in credit risk, lifetime expected credit losses shall be assessed (stage 2). Once the receivables credit impaired (e.g. default), lifetime expected credit losses shall still be assessed (stage 3).

As at 31 December 2024, the loss allowance for other receivables was RMB40,510,000 (2023: RMB8,922,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2024					
Trade payables	82,825	–	–	–	82,825
Other payables and accruals (excluding non-financial liabilities)	20,560	–	–	–	20,560
Lease liabilities	377	377	188	–	942
Total	103,762	377	188	–	104,327
At 31 December 2023					
Trade payables	141,661	–	–	–	141,661
Other payables and accruals (excluding non-financial liabilities)	52,179	–	–	–	52,179
Lease liabilities	3,460	2,409	1,495	–	7,364
Total	197,300	2,409	1,495	–	201,204

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2024 and 2023 was as follows:

	As at 31 December 2024	As at 31 December 2023
Gearing ratio	10.70%	17.71%

There were no changes in the Group's approach for capital management for the year ended 31 December 2024.

3.3 Fair value estimation

The Group's equity investment designated at fair value through other comprehensive income was measured at fair value at the end of the reporting period. The Group applied the back-solve method to determine the fair value of the equity investment. The fair value measurement of this equity investment may involve unobservable inputs such as volatility and risk-free rate.

The Group's contingent consideration in amounts due to a related party was measured at fair value at the end of the reporting period. The valuation techniques used to determine the fair value are based on quoted market prices and the probability of the contingencies at the year end.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

As at 31 December 2024

	Fair value measurement using			Total RMB'000	Carrying amounts RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
Equity investment designated at fair value through other comprehensive income	–	–	83,732	83,732	83,732
Contingent consideration in amounts due to a related party	–	350	–	350	350
Total	–	350	83,732	84,082	84,082

As at 31 December 2023

	Fair value measurement using			Total RMB'000	Carrying amounts RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
Contingent consideration in amounts due to a related party	–	724	–	724	724

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

There was no offsetting during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Recognition of revenue

Revenue from the license-out contracts with customers should be recognised when control of licenses and 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 licenses or services. The license-out contracts included several types of considerations including variable considerations, which were subject to professional judgement and estimation.

4.2 Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 16.

The bases for the key assumptions used in the impairment testing as of 31 December 2024 are as follows:

(i) *Revenue (% compound growth rates)*

The revenue compound growth rates for a fourteen-year projection period are based on the Company's forecast of its average revenue growth rate from 2025 to 2038. The Company considers the business strategy and the management's expectation for the market development in estimating these growth rates.

(ii) *Research and development expenses (% compound growth rates)*

The research and development expenses (% compound growth rates) are determined on the basis of management's expectation and the progress of clinical trials.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment assessment of goodwill (Continued)

(iii) *Pre-tax discount rates*

The discount rates for the forecast period and after that period are determined by reference to discount rates provided by the management. Discount rates were estimated based on the weighted average cost of capital ("WACC") with reference to the industry risk premium and the debt to equity ratio of some guideline companies in the biopharmaceutical sector.

As at 31 December 2024, a decrease in revenue growth rate from 9.5% to 8.9%, or an increase in research and development expenses compound growth rates for each forecast period by -33.2% and -11.2%, or an increase in pre-tax discount rate from 23.1% to 28% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount. In the opinion of the directors of the Group, any reasonably possible change in other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

4.3 Impairment assessment of property and equipment

The Group assesses whether there is any indication that the Group's property and equipment may be impaired. To determine whether an impairment indicator exists, management considers both internal and external sources of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount was determined based on the higher of FVLCD ("Fair Value Less Costs of Disposal") and VIU ("Value in Use") calculations which require the use of estimates. When applying valuation techniques, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

4.4 Impairment assessment of licenses

The Group assesses whether there is any indication that the Group's licenses may be impaired. To determine whether an impairment indicator exists, management considers both internal and external sources of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount was determined based on the higher of FVLCD and VIU calculations which require the use of estimates. When applying valuation techniques, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

The Group has been operating in a single reporting segment, engaging in the discovery, development and commercialisation of biopharmaceutical products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Group regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, the Group's operating results were primarily derived in the PRC.

Revenue from continuing operations of approximately RMB192,031,000 (2023: nil) was derived from a license-out agreement to a single customer.

Non-current assets

	2024 RMB'000	2023 RMB'000
Cayman Islands	98,725	105,344
Mainland China	6,319	55,434
Other countries/regions	337	2,738
Total non-current assets	105,381	163,516

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

**(a) Disaggregated revenue information
For the year ended 31 December 2024
Segments**

	2024 RMB'000	2023 RMB'000
Types of services		
Licensing revenue	206,229	–
Geographical markets		
United States of America	192,031	–
Mainland China	14,198	–
Total	206,229	–
Timing of revenue recognition		
Licenses and services transferred at a point in time	206,229	–

The Group has only one segment and no further segment information of revenue is applicable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Accounting policy of revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of licenses and 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

License

The Group grant intellectual property licenses (the "License") of certain products.

For the intellectual property licenses which the customer gets a right to use the License, the revenue of the License is recognised at the point of time when the control of the license is transferred to the customer and the customer is able to consume and benefit from the License. The consideration for the License comprises fixed elements, variable elements and non-cash consideration. The variable elements are included in the transaction price when the Group can conclude that it is highly probable there will not be a significant reversal of revenue. The non-cash consideration includes equity in the customer obtained, which does not constitute control or significant influence. The non-cash consideration is included in the transaction price by using the fair value of the equity on trade-date less the costs paid.

The performance obligation of intellectual property licenses is satisfied at a point in time and payment is billed based on the milestone achieved.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Other income

	2024 RMB'000	2023 RMB'000
Government grants	36,848	3,692
Fair value change of the amount due to a related party	(178)	1,338
Others	437	619
Total	37,107	5,649

7 MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

		Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
	Notes		
Share-based payment expenses	24	11,645	60,910
Impairment of property and equipment	14	31,472	39,924
Impairment of intangible assets	16	2,118	39,363
Impairment of other non-current assets		1,499	–
		46,734	140,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Employee benefits expenses (<i>note 9</i>)	81,351	225,410
Development fee and clinical trial expenses	78,298	194,298
Impairment of property and equipment	31,472	39,924
Professional and technical service fee	27,756	18,802
Depreciation and amortisation	18,220	76,887
Write-down of and provision for inventories	4,972	33,832
Raw material and consumables used	4,310	34,399
Impairment of intangible assets	2,118	39,363
Impairment of other non-current assets	1,499	–
Auditor's remuneration		
– Audit services	5,150	3,030
– Non-audit services	148	113
Others	19,191	23,457
Total	274,485	689,515

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Salaries, bonuses and other benefits	47,865	124,739
Share-based payment expenses (<i>note 24</i>)	11,645	60,910
Termination benefits	17,220	22,037
Social security costs and housing benefits	2,508	9,808
Pension-defined contribution plan (<i>i</i>)	2,113	7,916
	81,351	225,410

- (i) The Group did not have any forfeited contribution for the year ended 31 December 2024 (2023: nil) in connection with the defined contribution plan operated by local governments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2023: one) director, whose emoluments are reflected in the analysis presented in note 35. The emoluments payable to the remaining four (2023: four) individuals were as follows

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	9,105	23,191
Contribution to pension scheme	125	66
Discretionary bonuses	1,869	3,560
	11,099	26,817

During the year, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2023: nil).

The emoluments fell within the following bands:

	Year ended 31 December 2024 number of individuals	Year ended 31 December 2023 number of individuals
Emolument bands (in HKD)		
HKD2,000,001 to HKD2,500,000	2	–
HKD2,500,001 to HKD3,000,000	1	–
HKD3,000,001 to HKD3,500,000	–	1
HKD3,500,001 to HKD4,000,000	–	1
HKD6,000,001 to HKD6,500,000	1	–
HKD11,000,001 to HKD11,500,000	–	2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE INCOME AND COSTS

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Finance income		
Interest from bank deposits	32,688	29,669
Net foreign currency exchange gain	5,015	5,070
	37,703	34,739
Finance costs		
Interest on lease liabilities	(112)	(888)
Others	(170)	(151)
	(282)	(1,039)
Financial income – net	37,421	33,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2024 are set out below. Unless otherwise stated, they have share/paid-up capital that is held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or establishment is also their principal place of business.

Name of entity	Country/place and principal country/place of operation and date of incorporation/ establishment and kind of legal entity	Registered/issued and paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
			2024	2023	2024	2023
Directly owned:						
Genor Biopharma (HK) Limited ("GBHK")	PRC, Hong Kong, 24 October 2016, limited liability company	1 ordinary share, HKD0.001	100%	100%	–	–
Genor Biopharma (USA), Inc. ("GBUS")	United States of America ("USA"), USA, 23 November 2020, corporation	100 ordinary shares, USD0.001	100%	100%	–	–
AB Therapeutics Inc. ("ABT")	USA, USA, 19 August 2019, limited liability company	10,000,000 ordinary shares, USD100	80%	80%	20%	20%
Genor Biopharma PTY LTD ("GBAUS") (i)	Australia, Australia, 19 May 2022, Limited liability company	100 ordinary shares, AUD100	–	–	–	–
Indirectly owned:						
Genor Biopharma Co., Ltd. (嘉和生物藥業有限公司) ("Genor Biopharma")	PRC, Mainland China, 4 December 2007, limited liability company*	RMB831,338,351	100%	100%	–	–
Yuxi Genor Biotechnology Co., Ltd. (玉溪嘉和生物技術有限公司)	PRC, Mainland China, 8 July 2014, limited liability company	RMB400,000,000	100%	100%	–	–

* Registered as a wholly-foreign owned enterprise under PRC law.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (CONTINUED)

(a) Restrictions

As at 31 December 2024, cash and bank balances of RMB28,685,330 (2023: RMB977,147,000) were held in Mainland China and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(b) Investments in subsidiaries

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Interests in subsidiaries, net	406,565	406,565
Deemed capital contribution to subsidiaries (i)	613,295	601,650
Total	1,019,860	1,008,215

- (i) The amounts represent the equity-settled share-based payments in respect of the respective share options granted by the Company to certain employees of certain subsidiaries for employees' services rendered to the respective subsidiaries under the Company's employee option plan as disclosed in note 24. Since the subsidiaries have no obligation to reimburse such expenses, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX

(a) Income tax

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Current	19,206	–
Deferred (<i>note 28</i>)	(1,364)	(2,280)
Total	17,842	(2,280)

(b) Numerical reconciliation of loss before income tax to income tax credit

A reconciliation of the tax expense/credit applicable to loss before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Loss before tax	(35,132)	(677,496)
Calculated at the statutory tax rate of 25%	(8,783)	(169,374)
Effect of different tax rates of operating entities in other jurisdictions	(125,391)	11,700
Effect of preferential tax rates	–	44,780
Expenses not deductible for taxation purposes:		
– Share-based payment expenses	2,872	11,976
– Others	133	918
Additional deduction of research and development expenses	(23,514)	(34,189)
Unused tax loss not recognised as deferred tax assets	153,319	131,909
USA withholding tax	19,206	–
Income tax credit	17,842	(2,280)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX (CONTINUED)

(b) Numerical reconciliation of loss before income tax to income tax credit (Continued)

(i) *Accounting for research and development tax credit*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(ii) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is exempted from the Cayman Islands income tax.

(iii) *Hong Kong profits tax*

No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2024 and 2023.

(iv) *USA corporate income tax*

Except for certain revenue arising from license-out transaction this year, which was subject to USA withholding tax, no USA profit tax was provided for as there was no estimated assessable profit that was subject to USA profits tax for the years ended 31 December 2024 and 2023.

(v) *PRC corporate income tax*

In 2022, a "Certificate of New Hi-tech Enterprise" was granted to Genor Biopharma with a valid period of 3 years, and Genor Biopharma became eligible for a preferential corporate income tax rate of 15% for the year ended 31 December 2023. In 2024, Genor Biopharma had its qualification as a High and New Technology Enterprise renewed, and the income tax rate was changed from 15% to 25% for 2024. Other subsidiaries established and operating in Mainland China were subject to the PRC corporate income tax at the rate of 25% for the year ended 31 December 2024 (2023: 25%).

(vi) *Australian corporate income tax*

No Australian corporate tax was provided for as there was no estimated assessable profit that was subject to Australian corporate tax for the years ended 31 December 2024 and 2023.

(vii) *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX (CONTINUED)

(c) Tax losses

As at 31 December 2024, ABT had net operating losses amounting to RMB29,876,000 (2023: RMB27,982,000). Under federal tax regulations, the net operating losses can be carried forward and deductible for income tax purposes indefinitely. Under California state tax regulations, the net operating losses can generally be carried forward 20 years following the year of the loss incurred. Accordingly, the Company recognised deferred tax assets amounting to RMB8,915,000.

The Group also has tax losses arising in Mainland China of RMB3,857,000 (2023: RMB4,837,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these 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 utilised.

13 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 December 2024	Year ended 31 December 2023
Loss attributable to owners of the Company (in RMB'000)	(51,283)	(674,362)
Weighted average number of ordinary shares outstanding (in thousand)	513,547	506,245
Basic loss per share (in RMB)	(0.10)	(1.33)

(b) Diluted loss per share

The Group had potential dilutive shares for the year ended 31 December 2024 in relation to the shares held for employee option plan (note 24) and shares to be issued to Ab Studio Inc. ("ABS") (note 27(a)), which was a non-controlling shareholder of ABT. Due to the Group's loss for the year ended 31 December 2024, the potential dilutive shares had anti-dilutive effect on the Group's loss per share. Thus, the diluted loss per share is the same as basic loss per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY AND EQUIPMENT

Non-current	Leasehold improvements RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023						
Cost	84,398	280,673	602	6,289	9,684	381,646
Accumulated depreciation	(53,252)	(143,579)	(569)	(4,256)	–	(201,656)
Net carrying value	31,146	137,094	33	2,033	9,684	179,990
Year ended 31 December 2023						
Opening net carrying value	31,146	137,094	33	2,033	9,684	179,990
Additions	3	103	–	–	880	986
Transfer upon completion	783	3,352	–	–	(4,135)	–
Disposals	–	(31,228)	(11)	(172)	–	(31,411)
Depreciation charge (a)	(31,113)	(24,225)	(2)	(884)	–	(56,224)
Impairment charge (b)	–	(35,481)	–	(211)	(4,232)	(39,924)
Closing net carrying value	819	49,615	20	766	2,197	53,417
At 31 December 2023						
Cost	85,184	196,749	387	4,958	6,429	293,707
Accumulated depreciation and impairment	(84,365)	(147,134)	(367)	(4,192)	(4,232)	(240,290)
Net carrying value	819	49,615	20	766	2,197	53,417
Year ended 31 December 2024						
Opening net carrying value	819	49,615	20	766	2,197	53,417
Disposals	–	(7,599)	–	(146)	–	(7,745)
Depreciation charge (a)	(686)	(8,087)	(2)	(510)	–	(9,285)
Impairment charge (b)	–	(29,472)	–	–	(2,000)	(31,472)
Closing net carrying value	133	4,457	18	110	197	4,915
At 31 December 2024						
Cost	89,322	175,433	387	4,655	6,429	276,226
Accumulated depreciation and impairment	(89,189)	(170,976)	(369)	(4,545)	(6,232)	(271,311)
Net carrying value	133	4,457	18	110	197	4,915

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY AND EQUIPMENT (CONTINUED)

(a) Depreciation method and useful lives

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

– Leasehold improvements	Shorter of remaining lease term or estimated useful lives
– Equipment and instruments	5 – 10 years
– Office equipment and furniture	5 years
– Motor vehicles	5 years

Depreciation charges in the following categories:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Research and development expenses	8,669	54,547
Administrative expenses	616	1,677
Total	9,285	56,224

(b) Impairment charges

In the year of 2024, the Group performed a review of the recoverable amount of the property and equipment, which led to impairment charges of RMB31,472,000 in relation to idle assets in property and equipment. The impairment loss was included in research and development expenses in the consolidated statement of profit or loss and other comprehensive income.

For some assets that were customised and designed for special purposes, the management, considering the fact that the related research and developments had been terminated and there was no plan to restart in the foreseeable future, the management was of the view that there would be no value-in-use of these assets. In determination of the fair value less disposal cost, the management adopted the market method to determine the fair value of assets. For some general equipment where there was second-hand trading price, the price was taken as its fair value. For other equipment where there was no sale agreement or active trading market, the fair value was estimated by reference to the recoverable rate of disposal transactions for similar assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 LEASES

(a) Amounts recognised in the statement of financial position

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Right-of-use assets		
Property	904	6,720
Lease liabilities		
Current	356	3,231
Non-current	555	3,924
Total	911	7,155

Additions to the right-of-use assets in 2024 were RMB1,084,000 (2023: RMB8,889,000).

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases.

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Depreciation charge of right-of-use assets		
Property	1,481	6,917
Interest expense (included in finance costs)	112	888
Expense relating to short-term leases (included in research and development expenses and administrative expenses)	460	904
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in research and development expenses and administrative expenses)	–	27

The total cash outflow for leases in 2024 was approximately RMB2,017,000 (2023: RMB7,755,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS

Non-current assets	Goodwill RMB'000 (note b)	Computer software RMB'000	Licenses RMB'000	Total RMB'000
At 1 January 2023				
Cost	21,753	13,611	164,760	200,124
Accumulated amortisation	–	(7,965)	(28,951)	(36,916)
Net carrying value	21,753	5,646	135,809	163,208
Year ended 31 December 2023				
Opening net carrying value	21,753	5,646	135,809	163,208
Amortisation	–	(4,685)	(9,061)	(13,746)
Impairment charge	(3,934)	–	(35,429)	(39,363)
Closing net carrying value	17,819	961	91,319	110,099
At 31 December 2023				
Cost	21,753	13,611	164,760	200,124
Accumulated amortisation and impairment	(3,934)	(12,650)	(73,441)	(90,025)
Net carrying value	17,819	961	91,319	110,099
Year ended 31 December 2024				
Opening net carrying value	17,819	961	91,319	110,099
Disposals	–	(61)	–	(61)
Amortisation*	–	(680)	(6,774)	(7,454)
Impairment charge**	–	–	(2,118)	(2,118)
Closing net carrying value	17,819	220	82,427	100,466
At 31 December 2024				
Cost	21,753	13,549	164,760	200,062
Accumulated amortisation and impairment	(3,934)	(13,329)	(82,333)	(99,596)
Net carrying value	17,819	220	82,427	100,466

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (CONTINUED)

- * Amortisation charges were expensed in the following categories in the consolidated statement of profit or loss and other comprehensive income:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Research and development expenses	7,126	9,256
Administrative expenses	328	4,490
	7,454	13,746

- ** The carrying amount of the original groups of cash-generating units ("CGUs") of therapeutic antibody research and development department (the "Therapeutic Antibody CGUs") and licenses have been reduced to their recoverable amounts through recognition of impairment losses against goodwill and licenses. The losses are included in research and development expenses in the consolidated statement of profit or loss and other comprehensive income.

(a) Amortisation methods and periods

(i) Goodwill

Goodwill is measured as described in note 37. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over the shorter of their estimated useful lives of 5 years or remaining years of use. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation methods and periods (Continued)

(iii) Licenses

Licenses acquired separately or as part of a business combination are recognised as intangible assets at historical cost and amortised using the straight-line method over their estimated useful lives of 10 to 20 years, which are determined by reference to the authorised useful lives and the management's estimation. The estimation is made considering the duration of the patent right and the technique advancement of the licenses. They are subsequently carried at cost less accumulated amortisation and impairment losses.

(iv) Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on oncology and autoimmune drugs. Research expenditures are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed biopharmaceutical product and all the following can be demonstrated:

- (i) The technical feasibility to complete the development project so that it will be available for use or sale;
- (ii) The intention to complete the development project to use or sell the product;
- (iii) The ability to use or sell the product;
- (iv) The manner in which the development project will generate probable future economic benefits for the Group;
- (v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- (vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, testing fee, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalised development costs are amortised using the straight-line method over the life of the related product. Amortisation shall begin when the asset is available for use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation methods and periods (Continued)

(iv) *Research and development (Continued)*

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(b) Impairment tests for goodwill

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The following is a summary of goodwill allocation for the Therapeutic Antibody CGUs:

	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Closing RMB'000
Year ended 31 December 2024				
Therapeutic Antibody CGUs	17,819	–	–	17,819
Year ended 31 December 2023				
Therapeutic Antibody CGUs	21,753	–	(3,934)	17,819

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value	83,732	–

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

As a consideration for the license sale, the Group was settled with an unlisted equity investment. The Group designated this equity investment as financial instrument through other comprehensive income. As at 31 December 2024, the measurement of this equity investment designated through other comprehensive income was categorised within Level 3 hierarchy.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2024:

	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Unlisted equity investment	Back-solve method	Volatility	Increasing/decreasing expected volatility by 1% would increase/decrease the fair value of financial instruments by RMB333,000 and RMB338,000 respectively
		Risk-free rate	Increasing/decreasing expected risk-free rate by 1% would increase/decrease the fair value of financial instruments by RMB621,000 and RMB643,000 respectively

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Financial assets		
Equity investment at fair value through other comprehensive income	83,732	–
Financial assets at amortised cost		
Other receivables, deposits and prepayments (excluding prepayments and input value-added tax ("VAT") to be deducted)	45,500	48,127
Cash and bank balances	1,058,790	1,165,481
	1,188,022	1,213,608
	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	82,825	141,661
Other payables and accruals (excluding accrued employee benefits and other tax payable)	20,561	52,179
Lease liabilities	911	7,155
Financial liabilities at fair value through profit or loss:		
Contingent consideration in amounts due to a related party	350	724
	104,647	201,719

The trade payables and other payables are unsecured. Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements are reverted to the lessor in the event of default.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Current			
Tax prepayment for share option and RSU plans	(b)	30,706	30,706
Receivable from an employee in respect of asset misappropriation	(a)	9,804	–
Prepayment for inventories and clinical fee		2,878	27,453
Rental deposits		1,529	1,260
Receivable from disposals of property and equipment		184	7,434
Interest receivables		90	7,401
Others		3,822	3,302
Subtotal		49,013	77,556
Less: provision for impairment		(40,510)	(8,922)
		8,503	68,634
Non-current			
VAT input tax to be deducted		23,503	24,425
Advance payment for equipment		–	1,499
Rental deposits		–	1,244
Subtotal		23,503	27,168
Total		23,503	27,168

The carrying amounts of other receivables and deposits are mainly denominated in RMB and approximate to their fair values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

- (a) In 2024, the Group discovered misappropriation of bank accounts by an ex-employee, who had been transferring out money from the Group's bank accounts without authorisation from 2022 to 2024. The Group has reported to the police, and the case is currently under investigation. Based on the Group's investigation, the net loss of bank accounts caused by the misappropriation, after being offset by the amount transferred in by this ex-employee or other parties, amounted to RMB100,000, RMB1,398,000, and RMB8,306,000 for the years ended 31 December 2022, 2023 and 2024, respectively. Considering that there was remote chance to collect the cash, the Group made full impairment of these amounts in current year's financial statements. In the opinion of the Company's directors, the impact of the aforesaid misappropriation was not significant to the financial statements for the years ended 31 December 2022 and 2023. Further details are set out in the Company's announcement dated 4 February 2025.
- (b) The amount included a balance of RMB14,146,000 for payment on behalf of a chief executive in respect of taxes relating to share options granted in previous years.

20 CASH AND BANK BALANCES

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Cash on hand	–	614
Cash at banks		
– USD	1,029,711	184,607
– RMB	28,685	976,563
– HKD	374	3,696
– AUD	20	1
Cash and bank balances	1,058,790	1,165,481

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Nominal value of shares USD
Authorised ordinary shares		
As at 31 December 2024	1,000,000,000	20,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

	Number of shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Issued ordinary shares					
As at 1 January 2023	505,241,598	69	9,375,785	(5,198)	9,370,656
Shares exercised under employee option plan and RSU plan	1,767,064	–*	21,536	–	21,536
Issuance of shares as consideration for the acquisition of business	511,363	–*	530	–	530
As at 31 December 2023 and 1 January 2024	507,520,025	69	9,397,851	(5,198)	9,392,722
Shares exercised under employee option plan and RSU plan	9,327,511	1	79,125	4,451	83,577
Shares issued and held for employee share scheme	3,000,000	–*	–	–*	–
Issuance of shares as consideration for the acquisition of business	511,363	–*	857	–	857
As at 31 December 2024	520,358,899	70	9,477,833	(747)	9,477,156

* The amounts stated above were less than RMB1,000.

22 TREASURY SHARES

	2024 RMB'000	2023 RMB'000
Shares held for employee share scheme	747	5,198
	2024 Number of shares	2023 Number of shares
Shares held for employee share scheme	3,544,184	3,786,684

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RESERVES

	Other reserves			Total RMB'000
	Capital reserve RMB'000	Share-based payment reserve RMB'000	Other comprehensive loss RMB'000	
At 1 January 2023	(1,703,265)	255,403	(4,342)	(1,452,204)
Other comprehensive loss	–	–	(745)	(745)
Share-based payment (<i>note 24</i>)	–	60,910	–	60,910
Shares exercised under employee option plan and RSU plan	–	(21,533)	–	(21,533)
At 31 December 2023 and 1 January 2024	(1,703,265)	294,780	(5,087)	(1,413,572)
Other comprehensive income	–	–	1,482	1,482
Share-based payment (<i>note 24</i>)	–	11,645	–	11,645
Shares exercised under employee option plan and RSU plan	–	(83,613)	–	(83,613)
At 31 December 2024	(1,703,265)	222,812	(3,605)	(1,484,058)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS

(a) 2020 Employee Option Plan

Set out below are summaries of options granted:

	Category I	
	Exercise price per share	Number of options
As at 1 January 2023	USD0.0002	10,400,047
Exercised	USD0.0002	(885,721)
Forfeited	USD0.0002	(416,088)
As at 31 December 2023	USD0.0002	9,098,238
Vested and exercisable at 31 December 2023	USD0.0002	5,796,288
As at 1 January 2024	USD0.0002	9,098,238
Exercised	USD0.0002	(8,092,454)
Forfeited	USD0.0002	(101,177)
As at 31 December 2024	USD0.0002	904,607
Vested and exercisable at 31 December 2024	USD0.0002	426,928
	Category II	
	Exercise price per share	Number of options
As at 1 January 2023	USD2.0000	13,692,711
Forfeited	USD2.0000	(9,565,432)
As at 31 December 2023	USD2.0000	4,127,279
Vested and exercisable at 31 December 2023	USD2.0000	3,565,554
As at 1 January 2024	USD2.0000	4,127,279
Forfeited	USD2.0000	(1,051,500)
As at 31 December 2024	USD2.0000	3,075,779
Vested and exercisable at 31 December 2024	USD2.0000	2,916,279

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(a) 2020 Employee Option Plan (Continued)

	Category III (A)	
	Exercise price per share	Number of options
As at 1 January 2023	USD0.0002	27,337
As at 31 December 2023	USD0.0002	27,337
Vested and exercisable at 31 December 2023	USD0.0002	27,337
As at 1 January 2024	USD0.0002	27,337
Exercised	USD0.0002	(27,212)
As at 31 December 2024	USD0.0002	125
Vested and exercisable at 31 December 2024	USD0.0002	125
	Category III (B)	
	Exercise price per share	Number of options
As at 1 January 2023	USD2.0000	50,000
As at 31 December 2023	USD2.0000	50,000
Vested and exercisable at 31 December 2023	USD2.0000	50,000
As at 1 January 2024	USD2.0000	50,000
Forfeited	USD2.0000	(50,000)
As at 31 December 2024	USD2.0000	–
Vested and exercisable at 31 December 2024	USD2.0000	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)**(a) 2020 Employee Option Plan (Continued)**

The fair value of the options under Category I ranged from RMB6.3224 to RMB8.5361. The fair value of the options under Category II ranged from RMB1.5520 to RMB4.2642. The fair value of the options under Category III ranged from RMB3.8199 to RMB6.3224.

Share options outstanding as at 31 December 2024 had the following exercise prices:

	Exercise price per share	Share options as at 31 December 2024
Category I	USD0.0002	904,607
Category II	USD2.0000	3,075,779
Category III (A)	USD0.0002	125
Category III (B)	USD2.0000	–
Total		3,980,511

(b) Post-IPO Share Option Plan

On 18 September 2020, the board of directors of the Company approved the Post-IPO Share Option Plan. Under the plan, the Company granted options to executive directors and key employees to award their previous contributions and to acquire their long-term service in future.

The share-based payments under the Post-IPO Share Option Plan are equity-settled share-based payments with exercise price of HKD17.08, HKD10.85, HKD1.73, HKD1.81 or HKD1.50. The Company entered into agreements with certain employees on 3 June 2021 ("Batch I"), 27 August 2021 ("Batch II"), 5 October 2022 ("Batch III"), 25 May 2023 ("Batch IV") and 31 August 2023 ("Batch V"). Under these agreements, the options are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

Set out below are summaries of options and shares granted:

	Batch I	
	Exercise price per share	Number of options
As at 1 January 2023	HKD17.08	2,945,500
Forfeited	HKD17.08	(1,711,800)
As at 31 December 2023	HKD17.08	1,233,700
Vested and exercisable at 31 December 2023	HKD17.08	815,850
As at 1 January 2024	HKD17.08	1,233,700
Forfeited	HKD17.08	(1,055,175)
As at 31 December 2024	HKD17.08	178,525
Vested and exercisable at 31 December 2024	HKD17.08	178,525
	Batch II	
	Exercise price per share	Number of options
As at 1 January 2023	HKD10.85	933,000
Forfeited	HKD10.85	(118,000)
As at 31 December 2023	HKD10.85	815,000
Vested and exercisable at 31 December 2023	HKD10.85	407,500
As at 1 January 2024	HKD10.85	815,000
Forfeited	HKD10.85	(779,000)
As at 31 December 2024	HKD10.85	36,000
Vested and exercisable at 31 December 2024	HKD10.85	27,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

	Batch III	
	Exercise price per share	Number of options
As at 1 January 2023	HKD1.73	2,251,500
Forfeited	HKD1.73	(165,000)
As at 31 December 2023	HKD1.73	2,086,500
Vested and exercisable at 31 December 2023	HKD1.73	999,750
As at 1 January 2024	HKD1.73	2,086,500
Forfeited	HKD1.73	(538,500)
As at 31 December 2024	HKD1.73	1,548,000
Vested and exercisable at 31 December 2024	HKD1.73	1,038,500
	Batch IV	
	Exercise price per share	Number of options
As at 1 January 2023	HKD1.81	–
Granted	HKD1.81	11,600,000
As at 31 December 2023	HKD1.81	11,600,000
Vested and exercisable at 31 December 2023	HKD1.81	–
As at 1 January 2024	HKD1.81	11,600,000
Forfeited	HKD1.81	(2,500,000)
As at 31 December 2024	HKD1.81	9,100,000
Vested and exercisable at 31 December 2024	HKD1.81	3,271,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

	Batch V	
	Exercise price per share	Number of options
As at 1 January 2023	HKD1.50	–
Granted	HKD1.50	9,578,867
As at 31 December 2023	HKD1.50	9,578,867
Vested and exercisable at 31 December 2023	HKD1.50	–
As at 1 January 2024	HKD1.50	9,578,867
Exercised	HKD1.50	(188,000)
Forfeited	HKD1.50	(6,932,307)
As at 31 December 2024	HKD1.50	2,458,560
Vested and exercisable at 31 December 2024	HKD1.50	614,640

The fair value of the options under the Post-IPO Share Option Plan ranged from RMB0.6149 to RMB6.9810.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

Fair value of options granted

The fair value at grant date is independently determined using binomial option pricing model by an independent qualified valuer. The significant inputs were listed below:

Post-IPO Share Option Plan	Batch I	Batch II	Batch III	Batch IV	Batch V
Expected price volatility	51.95% to 52.08%	52.40% to 52.54%	53.42% to 53.51%	53.35%	53.04%
Expected option life (year)	10	10	10	10	10
Risk free interest rate	1.26% to 1.40%	1.09% to 1.20%	3.49% to 3.51%	3.51%	3.80%
Spot price of ordinary shares (HKD)	17.08	10.85	1.73	1.73	1.5

The volatility factor estimated was based on the historical daily share price volatility of the comparable companies for the period close to the expected time to exercise. The risk free interest rate was referred to the market yield of government bond with similar issuance dates and maturity dates as of the respective grant dates.

(c) 2023 Share Option Plan

On 27 October 2023, the shareholders of the Company approved the 2023 Share Option Plan. Under the plan, the Company granted options to executive directors and key employees to award their previous contributions and to acquire their long-term service in future.

The share-based payments under the 2023 Share Option Plan are equity-settled share-based payments with exercise price of HKD1.50. The Company entered into agreements with certain employees on 27 October 2023 ("Batch I"). Under these agreements, the options are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(c) 2023 Share Option Plan (Continued)

Set out below are summaries of options and shares granted:

	Batch I Exercise price per share	Number of options
As at 1 January 2023	HKD1.50	–
Granted	HKD1.50	5,579,054
As at 31 December 2023	HKD1.50	5,579,054
Vested and exercisable at 31 December 2023	HKD1.50	–
As at 1 January 2024 and 31 December 2024	HKD1.50	5,579,054
Vested and exercisable at 31 December 2024	HKD1.50	2,175,830

The fair value of the options under the 2023 Share Option Plan ranged from RMB0.4074 to RMB0.4573.

Fair value of options granted

The fair value at grant date is independently determined using binomial option pricing model by an independent qualified valuer, the significant inputs were listed below:

Post-IPO Share Option Plan	Batch I
Expected price volatility	52.88%
Expected option life (year)	10
Risk free interest rate	4.31%
Spot price of ordinary shares (HKD)	1.16

The volatility factor estimated was based on the historical daily share price volatility of the comparable companies for the period close to the expected time to exercise. The risk free interest rate was referred to the market yield of government bond with similar issuance dates and maturity dates as of the respective grant dates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(d) 2021 RSU Plan

On 3 June 2021, the board of directors of the Company approved the 2021 restricted share unit plan (the "2021 RSU Plan"). Under the plan, the Company granted RSUs to employees to recruit, incentivise and retain key employees.

The share-based payments under the 2021 RSU Plan are equity-settled share-based payments with exercise price of nil. The Company entered into agreements with certain employees on 3 June 2021, 27 August 2021, 5 October 2022, 25 May 2023 and 31 August 2023. Under these agreements, the shares are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

Set out below are summaries of shares granted:

	2021 RSU Plan	
	Exercise price per share	Number of options
As at 1 January 2023	–	2,634,150
Granted	–	8,999,893
Exercised	–	(824,525)
Forfeited	–	(301,425)
As at 31 December 2023	–	10,508,093
Vested and exercisable at 31 December 2023	–	–
As at 1 January 2024	–	10,508,093
Granted	–	–
Exercised	–	(3,209,845)
Forfeited	–	(5,273,913)
As at 31 December 2024	–	2,024,335
Vested and exercisable at 31 December 2024	–	–

The fair value of the RSUs under the 2021 RSU Plan granted on 25 May 2023 and 31 August 2023 were RMB1.56 per share and RMB1.37 per share, respectively, based on the closing price on the date of grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(e) 2023 RSU Plan

On 27 October 2023, the shareholders of the Company approved the 2023 restricted share unit plan (the "2023 RSU Plan"). Under the plan, the Company granted RSUs to employees to recruit, incentivise and retain key employees.

The share-based payments under the 2023 RSU Plan are equity-settled share-based payments with exercise price of nil. The Company entered into agreements with certain employees on 27 October 2023. Under these agreements, the shares are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

Set out below are summaries of shares granted:

	2023 RSU Plan	
	Exercise price per share	Number of shares
As at 1 January 2023	–	–
Granted	–	4,210,000
As at 31 December 2023	–	4,210,000
Vested and exercisable at 31 December 2023	–	–
As at 1 January 2024	–	4,210,000
Exercised	–	(1,052,500)
As at 31 December 2024	–	3,157,500
Vested and exercisable at 31 December 2024	–	–

The fair value of the RSUs under the 2023 RSU Plan was RMB1.07 per share, based on the closing price on the date of grant.

No options and shares expired during the year covered by the above tables in note 24(a), (b), (c), (d) and (e).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(f) Share subscription and purchase agreement

On 26 September 2019, the Company entered into a subscription agreement with ABS, Dr. Yue Liu and ABT. Pursuant to the subscription agreement, the Company shall allot and issue 8,181,819 new ordinary shares to ABS and 909,091 new ordinary shares to Dr. Yue Liu. After the shares consolidated on 3 September 2020, the number of the above new ordinary shares changed to 4,090,910 and 454,546 for ABS and Dr. Yue Liu, respectively.

Out of 4,090,910 ordinary shares to be issued to ABS, 2,045,455 shares would be evenly issued on each anniversary of the closing of the subscription agreement ("Closing") through the fourth anniversary of the Closing, and 2,045,455 shares would be issued based on the level of achievement of ABT's completion of milestones with respect to certain research and development programs.

Out of 454,546 ordinary shares to be issued to Dr. Yue Liu, 227,273 shares would be evenly issued on each anniversary of the Closing through the fourth anniversary of the Closing ("ABT Batch I"), and 227,273 shares would be issued based on the level of achievement of ABT's completion of milestones with respect to certain research and development program ("ABT Batch II").

On 13 August 2024, as a result of certain research and development program milestone achievements, the Company issued 460,227 shares and 51,136 shares to ABS and Dr. Yue Liu, respectively. During the year of 2024, 51,136 shares were exercised under ABT Batch II.

(g) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised for the years ended 31 December 2024 and 2023 as part of employee benefit expenses were as follows:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Employee option plan		
Equity-settled share-based payments	11,645	60,377
Share-based payment to Dr. Yue Liu	–	533
Total	11,645	60,910

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(h) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period)
- including the impact of any non-vesting conditions (for example, the fulfilment of each applicable milestone with respect to certain research and development program).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

25 TRADE PAYABLES

The ageing analysis, based on the invoice date, of trade payables as at the end of the reporting period was as follows:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Within 1 year	79,826	139,012
More than 1 year	2,999	2,649
	82,825	141,661

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate to the fair values due to short-term maturities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Payables to suppliers of services, property and equipment	7,760	10,553
Government grants (a)	5,744	37,423
Accrued employee benefits	5,154	21,860
Other tax payable	997	1,844
Others	7,056	4,203
	26,711	75,883

(a) This amount represents the government grants received in 2020 that the conditions had not been fully met.

The carrying amounts of accruals and other payables are mainly denominated in RMB. The carrying amounts approximate to the fair values due to their short-term maturities.

27 AMOUNTS DUE TO A RELATED PARTY

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Amounts due to a related party		
Non-trade in nature		
ABS	350	724
Less: non-current portion	(350)	(559)
Current portion	–	165

(a) ABS is the non-controlling shareholder of ABT. The amounts due to ABS are attributable to the contingent consideration for the acquisition of ABT. As at 31 December 2024, the fair value of contingent consideration was approximately RMB350,000. The amount will be payable to ABS upon reaching certain milestone achievements in relation to development progress, regulatory approval and license-out arrangements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

(a) Deferred tax assets

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	
The balance comprises temporary differences attributable to:			
Lease liabilities	247	1,680	
Tax losses	8,915	8,350	
	9,162	10,030	
Set-off of deferred tax assets pursuant to set-off provisions	(247)	(1,680)	
Net deferred tax assets	8,915	8,350	
Movements	Lease liabilities RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2023	6,307	6,913	13,220
Credited/(Charged) to the profit or loss	(4,627)	1,437	(3,190)
At 31 December 2023 and 1 January 2024	1,680	8,350	10,030
Credited/(Charged) to the profit or loss	(1,433)	565	(868)
At 31 December 2024	247	8,915	9,162

- (i) At the end of the reporting period, the Group has unused tax losses of RMB3,857,529,000 (2023: RMB4,837,361,000) available to offsetting against future profits. A deferred tax asset has been recognised for such tax losses amounting to RMB35,660,000 (2023: RMB33,400,000). No deferred tax asset has been recognised for the remaining tax losses of RMB3,821,869,000 (2023: RMB4,803,961,000) as it is not considered probable that taxable profits will be available to utilise those tax losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred tax liabilities

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	
The balance comprises temporary differences attributable to:			
Right-of-use assets	247	1,680	
Intangible assets	10,796	11,595	
	11,043	13,275	
Set-off of deferred tax liabilities pursuant to set-off provisions	(247)	(1,680)	
Net deferred tax liabilities	10,796	11,595	
Movements	Right-of-use assets RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2023	6,306	12,439	18,745
Credited to the profit or loss	(4,626)	(844)	(5,470)
At 31 December 2023 and 1 January 2024	1,680	11,595	13,275
Credited to the profit or loss	(1,433)	(799)	(2,232)
At 31 December 2024	247	10,796	11,043

29 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 NET CASH USED IN OPERATIONS

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Loss before income tax	(35,132)	(677,496)
Adjustments for:		
– Provision for impairment of inventories, intangible assets, property and equipment, other non-current assets	40,061	113,119
– Depreciation of property and equipment	9,285	56,224
– Share-based payment expenses	11,645	60,910
– Provision for impairment of financial assets	31,588	8,922
– Amortisation of right-of-use assets and intangible assets	8,935	20,663
– Losses on disposal of property and equipment	5,481	16,956
– Interest income	(32,688)	(29,669)
– Government grants	(36,848)	(3,692)
– Foreign exchange gains	(5,015)	(3,478)
– Others	(174)	(4,354)
	(2,862)	(441,895)
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation):		
– Other receivables, deposits and prepayments	16,415	9,621
– Trade payables	(58,836)	9,503
– Contract cost	1,341	–
– Other payables and accruals	(31,438)	(32,804)
– Inventories	695	7,905
– Equity investments at fair value through other comprehensive income	(70,554)	–
– Deferred income of reimbursement of future expenses	1,020	282
– Contract liabilities	(4,893)	–
– Tax paid	(12,866)	–
Net cash used in operations	(161,978)	(447,388)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 NET CASH USED IN OPERATIONS (CONTINUED)

Reconciliation of liabilities arising from financing activities:

	Lease liabilities
	RMB'000
At 1 January 2023	28,586
Changes from financing cash flows	(6,824)
New leases	8,147
Interest expense	888
Termination of leases	(23,642)
At 31 December 2023 and 1 January 2024	7,155
Changes from financing cash flows	(1,557)
New leases	1,084
Interest expense	112
Termination of leases	(5,883)
At 31 December 2024	911

31 CONTINGENCIES

In April 2024, Genor Biopharma, an indirectly wholly-owned subsidiary of the Company, was notified that it has been named as a defendant in the lawsuit brought by an independent third party for an alleged breach of cooperation agreement once entered into among the two parties and its relevant supplemental agreements. The claim amounted to RMB15,000,000.

The directors, based on the advice from the Group's legal counsel, believed that it could not make reliable estimation of the outcome of the claim. Therefore, the Group did not provide for any claim arising from the litigation, other than the related legal and other costs.

In the opinion of the Company's directors, the Group had no significant contingent liabilities as at 31 December 2024 (as at 31 December 2023: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

32 COMMITMENTS

(a) Capital commitments

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Contracted but not provided for – Property and equipment	19	1,435

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management of the Group and their close family members are also considered as related parties.

The executive directors are of the view that the following party that had transactions or balances with the Group is a related party:

Name	Relationship with the Group
ABS	Minority shareholder of ABT

The following significant transactions were carried out between the Group and its related parties for the years ended 31 December 2024 and 2023. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and on terms negotiated between the Group and the respective related parties.

(a) Transactions with related parties

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Purchase of rental services and utilities	436	534
Purchase of research and development services	790	343
Total	1,226	877

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Amounts due to a related party**

Amounts due to a related party as at 31 December 2024 and 2023 disclosed were disclosed in note 27.

(c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Salaries, bonuses and other benefits	14,118	20,435
Share-based payment expenses (i)	42,135	28,552
Pension, social security costs and housing benefits	3,008	1,935
Total	59,261	50,922

(i) The share-based payment expenses were recognised based on the fair value at the grant date, see note 23 for further details.

34 EVENTS AFTER THE REPORTING PERIOD

There is no subsequent event after the reporting period which has a material impact to the consolidated financial statements of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the years ended 31 December 2024 and 2023 was set out below:

	Directors' fees	Salaries (i)	Discretionary bonuses	Share-based payment expenses (i)	Employer's contribution to a retirement benefit scheme	Social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended							
31 December 2024							
<i>Name of directors</i>							
Dr. Guo Feng	–	4,500	1,175	12,363	–	1,926	19,964
Mr. Weng Chengyi	–	276	71	446	–	40	833
Dr. Lyu Dong	–	–	–	–	–	–	–
Mr. Chen Yu	–	–	–	–	–	–	–
Mr. Liu Yi	–	–	–	–	–	–	–
Ms. Cui Bai	105	–	–	–	–	–	105
Mr. Zhou Honghao	315	–	–	–	–	–	315
Mr. Fung Edwin	420	–	–	–	–	–	420
Mr. Chen Wen	420	–	–	–	–	–	420
Total	1,260	4,776	1,246	12,809	–	1,966	22,057
For the year ended							
31 December 2023							
<i>Name of directors</i>							
Dr. Guo Feng	–	4,500	1,500	16,617	–	1,668	24,285
Dr. Lyu Dong	–	–	–	–	–	–	–
Mr. Chen Yu	–	–	–	–	–	–	–
Mr. Liu Yi	–	–	–	–	–	–	–
Mr. Zhou Honghao	420	–	–	–	–	–	420
Mr. Fung Edwin	420	–	–	–	–	–	420
Mr. Chen Wen	420	–	–	–	–	–	420
Total	1,260	4,500	1,500	16,617	–	1,668	25,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

- (i) The share-based payment expenses were recognised based on the fair value at the grant date (note 24).

The salaries paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company and its subsidiaries.

On September 12 2024, Dr. Guo Feng resigned from his position as an executive Director, and will remain as the chief executive officer of the Company.

On September 12 2024, Mr. Weng Chengyi was appointed as an executive Director and the remuneration for this year disclosed above represented the remuneration since then.

Mr. Chen Yu resigned on 2 January 2024.

Ms. Cui Bai was appointed as an independent non-executive director of the Company on 29 September 2024.

Mr. Zhou Honghao resigned on 18 September 2024.

In 2024, none of the directors waived or agreed to waive any emoluments (2023: nil). In addition, no emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office (2023: nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2024 and 2023.

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities, subsisted at the end of the year or at any time for the year ended 31 December 2024.

The Company did not provide any consideration to third parties for making available directors' services for the year ended 31 December 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December 2024	As at 31 December 2023
Notes	RMB'000	RMB'000
Assets		
Non-current assets		
Intangible assets	67,653	73,360
Investments in subsidiaries	1,019,860	1,008,215
Financial assets at fair value through profit or loss	19,327	13,602
Equity investment designated at fair value through other comprehensive income	83,732	–
Total non-current assets	1,190,572	1,095,177
Current assets		
Other receivables and prepayments	3,100	7,454
Cash and bank balances	957,628	185,985
Total current assets	960,728	193,439
Total assets	2,151,300	1,288,616
EQUITY		
Equity attributable to owners of the Company		
Share capital	70	69
Share premium	9,477,833	9,397,851
Treasury shares	(747)	(5,198)
Other reserves	(a) (1,224,195)	(1,165,405)
Accumulated losses	(a) (6,170,603)	(6,939,988)
Total equity	2,082,358	1,287,329

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
LIABILITIES		
Non-current liabilities		
Amounts due to a related party	350	559
Total non-current liabilities	350	559
Current liabilities		
Other payables and accruals	16,623	563
Amounts due to a subsidiary	51,969	165
Total current liabilities	68,592	728
Total liabilities	68,942	1,287
Total equity and liabilities	2,151,300	1,288,616
Reserve movement of the Company		
	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2023	(1,204,782)	(6,142,298)
Loss for the year	–	(797,690)
Share-based payment	60,910	–
Shares exercised under employee option plan and RSU plan	(21,533)	–
At 31 December 2023 and 1 January 2024	(1,165,405)	(6,939,988)
Loss for the year	–	769,385
Share-based payment	11,645	–
Shares exercised under employee option plan and RSU plan	(83,613)	–
Other comprehensive income	13,178	–
At 31 December 2024	(1,224,195)	(6,170,603)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES

37.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. 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 statements of the subsidiaries are prepared for the same reporting period 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 derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, add space that are expected to benefit from the synergies of the combination, irrespective of whether other asset or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.3 Foreign currencies

These financial statements are 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 the reporting period. Differences arising on settlement or translation of monetary items are recognised 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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period 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 recognised 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 recognised in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.4 Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life.

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 each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.5 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment property and non-current assets/a disposal group classified as held for sale), 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 recognised 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 reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.6 Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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 HKFRS 15.

In order for a financial asset to be classified and measured at amortised 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 amortised 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 recognised 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 amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, 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 recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.6 Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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 recognised in the statement of profit or loss.

This category includes derivative instruments 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 the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.7 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 derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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.

37.8 Impairment of financial assets

The Group recognises 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 recognised 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 each reporting date, 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 reporting date 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.8 Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised 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 reporting date (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 and contract assets 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 recognises a loss allowance based on lifetime ECLs at each reporting date. 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.

37.9 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at payables as appropriate.

All financial liabilities are recognised 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 borrowings and payables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.9 Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, borrowings and payables are subsequently measured at amortised 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 recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised in the statement of profit or loss.

37.10 Cash and bank balances

Cash and cash equivalents in the 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.11 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 the reporting period, 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised 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, 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 recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward 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
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.11 Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 realise 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.

37.12 Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute part of its 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.

37.13 Government grants

Government grants are recognised 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 recognised 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 instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.14 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

37.15 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 recognises 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 recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.15 Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised 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 recognised 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 machinery and equipment (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 and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Genor Biopharma Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION**What we have audited**

The consolidated financial statements of Genor Biopharma Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 96 to 182, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to impairment assessment of property, plant and equipment.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of property, plant and equipment

Refer to Note 4.1(c) and Note 13(b) to the consolidated financial statements.

As at 31 December 2023, the Group had property, plant and equipment with carrying amount of RMB53,417,000. Management reviews for impairment whenever events or changes indicate that carrying amount of an asset may not be recoverable. For the year of 2023, management identified impairment indicators of certain property, plant and equipment. Management performed impairment assessments on these assets. Based on management's impairment assessment, provision for impairment loss of RMB39,924,000 was recorded for property, plant and equipment during the year of 2023.

Management engaged an independent external valuer to assist them in assessing the recoverable amounts of these assets, which were determined as the higher of value in use or fair value less cost of disposal.

Management performed fair value less cost of disposal calculations of property, plant and equipment based on market approach. The determination of recoverable amounts involved a variety of assumptions, such as lack of marketability discount rate and realization rates.

We obtained an understanding of the management's internal control and assessment process of impairment assessment of property, plant and equipment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias.

We assessed the competence, capabilities and objectivity of the external valuer engaged by management.

We involved our internal valuation expert in assessing the appropriateness of valuation model applied and reasonableness of certain parameter inputs used in the model.

We assessed the significant estimates and judgments used in determining the fair value less cost of disposal based on the reasonable analysis of the lack of marketability discount rate and realization rates of the same type assets with similar age, and by reference to an independent medical equipment recycler's quotation.

We assessed the sensitivity analysis performed by management to consider the extent to which adverse changes, either individually or in aggregate, would result in further impairment.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

We focused on this area because the estimation of recoverable amounts is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment is considered significant due to subjectivity of key assumptions used.

How our audit addressed the Key Audit Matter

We assessed the adequacy of the disclosures related to impairment assessment in the context of the applicable financial reporting framework.

Based on the above, we considered that key assumptions applied in the impairment assessment of property, plant and equipment were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Revenue		–	15,932
Cost of revenue	7	–	(983)
Gross profit		–	14,949
Selling expenses	7	–	(83,143)
Administrative expenses	7	(125,237)	(134,130)
Research and development expenses	7	(564,278)	(583,881)
Net impairment losses on financial assets	18	(8,922)	–
Other income – net		5,649	9,855
Other losses – net		(18,408)	(6,369)
Operating loss		(711,196)	(782,719)
Finance income	9	34,739	53,314
Finance costs	9	(1,039)	(3,015)
Finance income – net		33,700	50,299
Loss before income tax		(677,496)	(732,420)
Income tax credit	11	2,280	2,024
Loss for the year		(675,216)	(730,396)
Loss is attributable to:			
Owners of the Company		(674,362)	(730,214)
Non-controlling interests		(854)	(182)
		(675,216)	(730,396)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(745)	(1,389)
Total comprehensive loss for the year		(675,961)	(731,785)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(675,107)	(731,603)
Non-controlling interests		(854)	(182)
		(675,961)	(731,785)
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share (in RMB)	12	(1.33)	(1.45)
Diluted loss per share (in RMB)	12	(1.33)	(1.45)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	53,417	179,990
Right-of-use assets	14	6,720	25,227
Intangible assets	15	110,099	163,208
Other receivables, deposits and prepayments	18	27,168	19,600
Deferred income tax assets	28	8,350	6,913
Total non-current assets		205,754	394,938
Current assets			
Inventories	17	5,667	47,404
Contract cost		1,341	1,341
Other receivables, deposits and prepayments	18	68,634	82,703
Cash and bank balances	19	1,165,481	1,588,705
Total current assets		1,241,123	1,720,153
Total assets		1,446,877	2,115,091
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	3,924	21,823
Amounts due to related parties	27	559	1,232
Deferred income		10,574	13,984
Deferred income tax liabilities	28	11,595	12,439
Total non-current liabilities		26,652	49,478

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
Current liabilities			
Trade payables	24	141,661	132,158
Contract liabilities	25	4,893	4,893
Other payables and accruals	26	75,883	109,643
Lease liabilities	14	3,231	6,763
Amounts due to related parties	27	165	1,360
Provisions		–	1,886
Deferred income		3,692	3,692
Total current liabilities		229,525	260,395
Total liabilities		256,177	309,873
EQUITY			
Equity attributable to the ordinary equity holders of the Company			
Share capital	20	69	69
Share premium	20	9,397,851	9,375,785
Treasury shares	20, 21	(5,198)	(5,198)
Other reserves	22	(1,413,572)	(1,452,204)
Accumulated losses		(6,790,336)	(6,115,974)
		1,188,814	1,802,478
Non-controlling interests		1,886	2,740
Total equity		1,190,700	1,805,218
Total equity and liabilities		1,446,877	2,115,091

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 96 to 182 were approved by the Board of Directors on 27 March 2024 and were signed on its behalf.

Guo Feng
Director

Lyu Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses		
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		68	9,290,903	(5,198)	(1,409,824)	(5,385,760)	2,922	2,493,111
Comprehensive loss								
– Loss for the year		–	–	–	–	(730,214)	(182)	(730,396)
– Other comprehensive loss		–	–	–	(1,389)	–	–	(1,389)
Transaction with owners								
– Share-based payment	23	–	–	–	48,238	–	–	48,238
– Shares exercised under employee option plan and RSU plan	23	1	89,234	–*	(89,229)	–	–	6
– Shares repurchased and cancelled	20	–*	(5,134)	–	–	–	–	(5,134)
– Issuance of shares as consideration for a business combination	27(a)	–*	782	–	–	–	–	782
Balance at 31 December 2022		69	9,375,785	(5,198)	(1,452,204)	(6,115,974)	2,740	1,805,218

* The balance stated above was less than RMB1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		69	9,375,785	(5,198)	(1,452,204)	(6,115,974)	2,740	1,805,218
Comprehensive loss								
– Loss for the year		–	–	–	–	(674,362)	(854)	(675,216)
– Other comprehensive loss		–	–	–	(745)	–	–	(745)
Transaction with owners								
– Share-based payment	23	–	–	–	60,910	–	–	60,910
– Shares exercised under employee option plan and RSU plan	23	–*	21,536	–	(21,533)	–	–	3
– Issuance of shares as consideration for a business combination	27(a)	–*	530	–	–	–	–	530
Balance at 31 December 2023		69	9,397,851	(5,198)	(1,413,572)	(6,790,336)	1,886	1,190,700

* The balance stated above was less than RMB1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	30	(447,388)	(605,721)
Interest received		22,268	28,114
Net cash outflow from operating activities		(425,120)	(577,607)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,034)	(9,040)
Payments for intangible assets		–	(3,915)
Proceeds from disposals of property, plant and equipment		7,021	15
Net cash inflow/(outflow) from investing activities		5,987	(12,940)
Cash flows from financing activities			
Proceeds from bank borrowings		–	69,300
Repayments of bank borrowings		–	(99,000)
Interest paid		–	(1,067)
Principal elements of lease payments		(5,936)	(19,702)
Interest of lease payments		(888)	(1,789)
Repurchase of ordinary shares		–	(5,134)
Proceeds from issuance of shares exercised under employee option plan		2	–
Net cash outflow from financing activities		(6,822)	(57,392)
Net decrease in cash and bank balances		(425,955)	(647,939)
Cash and bank balances at the beginning of the year		1,588,705	2,200,641
Exchange gains on cash and bank balances		2,731	36,003
Cash and bank balances at the end of the year		1,165,481	1,588,705

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

General information

Genor Biopharma Holdings Limited (the “Company”), previously known as JHBP (CY) Holdings Limited, and its subsidiaries (together the “Group”), have principally engaged in developing and commercializing oncology and autoimmune drugs in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 10 April 2017 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

A review of the research and development milestone and drug commercial plans, which led to redundancies and impairment charges of property, plant and equipment, licenses and goodwill.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Genor Biopharma Holdings Limited and its subsidiaries.

(a) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)**(c) New and amended standards adopted by the Group**

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to HKAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has changed its accounting policies following the adoption of amendments to HKAS 12. From the effective date on 1 January 2023, the Group recognised deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date. The details of which are disclosed in Note 28.

(d) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
• Hong Kong Interpretations 5 (Revised)	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	01-Jan-24
• Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	01-Jan-24
• Amendments to HKAS 1	Non-current Liabilities with Covenants	01-Jan-24
• Amendments to HKFRS 16	Lease liability in a sale and leaseback	01-Jan-24
• Amendments to HKAS 21	Lack of exchangeability	01-Jan-25
• Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	01-Jan-24
• Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) New standards and interpretations not yet adopted (Continued)

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) Market Risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates.

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Company's presentation and currency of the primary economic environment in which the entity operates (the "functional currency") is RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

As at 31 December 2023, the Group had foreign currency of Hong Kong dollars ("HKD"), United States dollars ("USD") and Australian dollars ("AUD") and was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD.

The amounts denominated on the currency other than the functional currency of the Group were as follows:

	As at 31 December 2023			As at 31 December 2022		
	HKD	USD	AUD	HKD	USD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank						
balances	3,696	184,607	1	3,638	225,549	5

The aggregate net foreign exchange gains recognised in profit were:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net foreign exchange gains included in finance income	5,070	25,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market Risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2023, if RMB weakened or strengthened by 10% against USD, with all other variables held constant, loss for the year of the Group would have been RMB18,461,000 lower or higher (2022: RMB22,555,000 lower or higher).

(b) Credit Risk

Credit risk mainly arises from cash and bank balances, trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The credit risk of cash and bank balances is relatively limited, because the counterparties are mainly state-owned or public listed commercial banks.

(i) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables,
- Other receivables, and
- Amounts due from related parties

While cash and bank balances is subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and amounts due from related parties.

Trade receivables, other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables, other receivables and amounts due from related parties are presented as net impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit Risk (Continued)

(i) **Impairment of financial assets (Continued)**

For trade and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information.

As at 31 December 2023, the Group had no balance in respect of trade receivables nor amounts due from related parties.

The Group assesses the 12-month expected credit losses of other receivables upon initial recognition. Once there is a significant increase in credit risk, lifetime expected credit losses shall be assessed (stage 2). Once it's credit impaired (e.g. default), lifetime expected credit losses shall still be assessed (stage 3).

As at 31 December 2023, the Group had RMB39,618,000 in respect of other receivables, of which RMB30,706,000 was receivables from employees. Considering a significant increase in credit risk since initial recognition is identified on receivables from employees, the expected credit loss is measured on lifetime basis (stage 2). The remaining other receivables are at stage 1 and 12-month expected credit losses was assessed.

On that basis, the expected credit loss rate of the financial assets measured at amortised cost is determined as 29.06%.

As at 31 December 2023, the loss allowance of trade receivables, other receivables and amounts due from related parties was RMB8,922,000 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity Risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2023					
Trade payables	141,661	–	–	–	141,661
Other payables and accruals (excluding non-financial liabilities)	52,179	–	–	–	52,179
Lease liabilities	3,460	2,409	1,495	–	7,364
	197,300	2,409	1,495	–	201,204
At 31 December 2022					
Trade payables	132,158	–	–	–	132,158
Other payables and accruals (excluding non-financial liabilities)	66,543	–	–	–	66,543
Lease liabilities	8,038	8,579	12,544	2,914	32,075
	206,739	8,579	12,544	2,914	230,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.2 Capital Risk Management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2023 and 2022 was as follows:

	As at 31 December	
	2023	2022
Gearing ratio	17.71%	14.65%

There were no changes in the Group's approach to capital management for the year ended 31 December 2023.

3.3 Fair value estimation*(a) Financial assets and liabilities***(i) Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as following:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial liabilities that are measured at fair value at 31 December 2023 and 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Contingent consideration in amounts due to related parties	–	724	–	724
As at 31 December 2022				
Contingent consideration in amounts due to related parties	–	2,592	–	2,592

There were no transfers between levels 1, 2 and 3 during the year.

(ii) Valuation techniques used to determine fair values level 2 fair values

The valuation techniques used to determine the fair value of the Group's level 2 instruments are based on quoted market prices and the probability of the contingencies at the year ended. The group did not change any valuation techniques in determining the level 2 fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(iii) Fair value measurements using significant unobservable inputs (level 2)

The following table presents the changes in level 2 items for the years ended 31 December 2023 and 2022:

	Contingent consideration in amounts due to related parties Years ended 31 December	
	2023 RMB'000	2022 RMB'000
Opening balance	2,592	8,327
Issued shares (Note 27(a))	(530)	(782)
Gains recognised in other income	(1,338)	(4,953)
Closing balance	724	2,592

(b) Non-financial assets

This section explains the judgements and estimates made in determining the fair values of certain non-financial assets during management's impairment assessment on the idle assets in property, plant and equipment. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.3(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Non-financial assets (Continued)

(i) Fair value hierarchy

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Idle assets in property, plant and equipment	–	–	36,858	36,858

Property, plant and equipment is stated at historical cost less depreciation. As impairment indicators of certain idle assets were identified during the year of 2023, the Group assessed the recoverable amount of these assets based on the higher of value in use ("VIU") and fair value less costs of disposal ("FVLCD"). There were no transfers between levels 1, 2 and 3 during the year.

(ii) Valuation techniques used to determine level 3 fair values

The Group assessed the fair value of its idle assets in property, plant and equipment, taking into account the most recent independent valuations.

The Group determines an asset's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the Group considers using market approach to assess the fair value of these assets with the supports of an independent valuer. The Group used market approach to determine the fair value of these assets, the key inputs under this approach are lack of marketability discount rate and realization rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Non-financial assets (Continued)

(iii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements (see Note 3.3(b)(ii) above for the valuation techniques adopted):

Description	Fair value at 31 December 2023	Valuation technique	Unobservable inputs	Range of inputs at 31 December 2023	Relationship of unobservable inputs to fair value
Idle assets in property, plant and equipment	36,858	Market approach	Lack of marketability discount rate	25%	The higher the lack of marketability discount rate, the lower the fair value
			Realization rate	0.13~0.54	The higher the realization rate, the higher the fair value

(iv) Valuation processes

The group engaged an independent external valuer to determine the fair value of the group's idle assets in property, plant and equipment at the end of the year. The main level 3 inputs used by the group are derived and evaluated as follows:

Lack of marketability discount rate and realization rate are estimated by the valuer based on public source.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. the Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

There was no offset during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Recognition of share-based payment expenses

As mentioned in Note 23, share-based payment was granted to the employees. The management have used the binomial option pricing model to determine the total fair value of the awarded options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the expected price volatility, expected option life, risk-free interest rate and estimation of achievement of non-vesting condition, is required to be made by the management in applying the binomial model. The management applies judgements and estimates, such as employee performance, employee forfeiture rate and achievement of performance and service conditions, in determining share-based payment expenses each period.

4.2 Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment assessment of goodwill (Continued)

The basis for the key assumptions used in the impairment testing as of 31 December 2023 are as follows:

(i) *Revenue (% compound growth rates)*

The revenue compound growth rates for a fifteen-year projection period are based on the Company's forecast of its average revenue growth rate from 2024 to 2038. The Company considers the business strategy and the management's expectation for the market development in estimating these growth rates.

(ii) *Research and development expenses (% compound growth rates)*

The research and development expenses (% compound growth rates) are determined on the basis of management's expectation and the progress of clinical trials.

(iii) *Pre-tax discount rate*

The discount rates for the forecast period and after that period are determined by reference to discount rates provided by the management. Discount rates were estimated based on the weighted average cost of capital ("WACCs") with reference to the industry risk premium and the debt to equity ratio of some guideline companies in biopharmaceutical sector.

4.3 Impairment assessment of property, plants and equipment

The Group assesses whether there is any indication that the Group's property, plant and equipment may be impaired. To determine whether an impairment indicator exist, management considers both internal and external source of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts were determined based on the higher of FVLCD and VIU calculations which require the use of estimates. When applying valuation technique, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

4.4 Impairment assessment of licenses

The Group assesses whether there is any indication that the Group's licenses may be impaired. To determine whether an impairment indicator exist, management considers both internal and external source of information, including the plan and progress of the research and development projects and the prospect of the technology. If any such indication exists, the Group will estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts were determined based on the higher of FVLCD and VIU calculations which require the use of estimates. When applying valuation technique, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT

Management has determined the operating segments based on the reports reviewed by chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

The Group has been operating in single reporting segment, engaging in the discovery, development and commercialisation of biopharmaceutical products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Group regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, the Group's operating results were primarily derived in the PRC.

6 MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	<i>Notes</i>	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Share-based payment expenses	23	60,910	48,238
Impairment of property, plants and equipment	13	39,924	–
Impairment of intangible assets	15	39,363	–
		140,197	48,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Employee benefits expenses (<i>Note 8</i>)	225,410	332,982
Development fee and clinical trial expenses	194,298	240,522
Depreciation and amortization	76,887	53,677
Impairment of property, plants and equipment	39,924	–
Impairment of intangible assets	39,363	–
Raw material and consumables used	34,399	69,019
Write down and provision of inventories	33,832	9,882
Professional and technical service fee	18,802	35,603
Traveling and transportation expenses	11,533	10,362
Utilities	3,656	8,256
Marketing and promotion expenses	–	27,428
Auditor's remuneration		
– Audit services	3,030	3,100
– Non-audit services	113	348
Others	8,268	10,958
	689,515	802,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, bonuses and other benefits	124,739	225,349
Share-based payment expenses (<i>Note 23</i>)	60,910	48,238
Termination benefits	22,037	26,613
Social security costs and housing benefits	9,808	18,041
Pension-defined contribution plan (<i>i</i>)	7,916	14,741
	225,410	332,982

- (i) The Group did not have any forfeited contribution for the year ended 31 December 2023 (2022: Nil) in connection with the defined contribution plan operated by local governments.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2022: one) director, whose emoluments are reflected in the analysis presented in Note 35. The emoluments payable to the remaining four (2022: four) individuals were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	23,191	27,461
Contribution to pension scheme	66	120
Discretionary bonuses	3,560	4,218
	26,817	31,799

During the year, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2023 no. of individuals	2022 no. of individuals
Emolument bands (in HKD)		
HKD3,000,001 – HKD3,500,000	1	1
HKD3,500,001 – HKD4,000,000	1	–
HKD6,500,001 – HKD7,000,000	–	1
HKD11,000,001 – HKD11,500,000	2	–
HKD13,000,001 – HKD13,500,000	–	2

9 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Finance income		
Interest from bank deposits	29,669	28,114
Net foreign currency exchange gain	5,070	25,200
	34,739	53,314
Finance costs		
Interest on lease liabilities	(888)	(1,789)
Interest on bank borrowings	–	(1,067)
Others	(151)	(159)
	(1,039)	(3,015)
Financial income – net	33,700	50,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country/ place and principal country/place of operation and date of incorporation/ establishment and kind of legal entity	Registered/ Issued and paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
			2023	2022	2023	2022
Directly owned:						
Genor Biopharma (HK) Limited ("GBHK")	Hong Kong, Hong Kong, 24 October 2016, limited liability company	1 ordinary share, HKD0.001	100.00%	100.00%	–	–
Genor Biopharma (USA), Inc. ("GBUS")	United States of America ("USA"), USA, 23 November 2020, corporation	100 ordinary shares, USD0.001	100.00%	100.00%	–	–
AB Therapeutics Inc. ("ABT")	USA, USA, 19 August 2019, limited liability company	10,000,000 ordinary shares, USD100	80.00%	80.00%	20.00%	20.00%
Genor Biopharma PTY LTD ("GBAUS") (i)	Australian, Australian, 19 May 2022, Limited liability company	100 ordinary shares, AUD100	–	100.00%	–	–
Indirectly owned:						
Genor Biopharma Co., Ltd. (嘉和生物藥業有限公司) ("Genor Biopharma")	The PRC, The PRC, 4 December 2007, limited liability company*	RMB 831,338,351	100.00%	100.00%	–	–
Yuxi Genor Biotechnology Co., Ltd. (玉溪嘉和生物技術有限公司)	The PRC, The PRC, 8 July 2014, limited liability company	RMB 400,000,000	100.00%	100.00%	–	–
Shanghai Genor Pharmaceutical Technology Co., Ltd. (上海嘉和 醫藥科技有限公司) (i)	The PRC, The PRC, 3 February 2021, limited liability company	RMB 400,000,000	–	100.00%	–	–

* Registered as wholly foreign owned enterprises under PRC law

(i) Genor Biopharma PTY LTD cancelled its registration on 10 September 2023. Shanghai Genor Pharmaceutical Technology Co., Ltd. cancelled its registration on 15 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

(a) Restrictions

As at 31 December 2023, cash and bank balances of RMB977,147,000 (2022: RMB1,085,704,000) are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(b) Investments in subsidiaries

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Interests in subsidiaries, net	406,565	880,210
Deemed capital contribution to subsidiaries (i)	601,650	540,740
	1,008,215	1,420,950

- (i) The amounts represent the equity-settled share-based payments in respect of the respective share options granted by the Company to certain employees of certain subsidiaries for employees' services rendered to the respective subsidiaries under the Company's employee option plan as disclosed in Note 23. Since the subsidiaries have no obligation to reimburse such expenses, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

The Company settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the Company's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction. In its separate financial statements, the Company records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by the Company. The Company records a debit, recognizing the cash the employee paid when exercising the equity-settled share-based payment along with a decrease in reserves and a credit, recognizing share capital and share premium of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT

(a) Income tax credit

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
<i>Current tax</i>		
Current tax on profits for the year	–	–
Total current tax expense	–	–
<i>Deferred income tax</i>		
Decrease/(increase) in deferred tax assets (Note 28 (a))	3,190	(1,654)
Decrease in deferred tax liabilities (Note 28 (b))	(5,470)	(370)
Total deferred tax credit	(2,280)	(2,024)
Income tax credit	(2,280)	(2,024)

(b) Numerical reconciliation of loss before income tax to income tax credit

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Loss before income tax	(677,496)	(732,420)
Calculated at the PRC taxation rate of 25%	(169,374)	(183,105)
Effect of different tax rates of operating entities in other jurisdictions	11,700	9,903
Effect of preferential tax rates	44,780	59,164
Expenses not deductible for taxation purposes		
– Share-based payment expenses	11,976	6,920
– Others	918	1,722
Super deduction of research and development expenses(i)	(34,189)	(62,025)
Unused tax loss not recognised as deferred tax assets	131,909	165,397
Income tax credit	(2,280)	(2,024)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT (CONTINUED)

(b) Numerical reconciliation of loss before income tax to income tax credit (Continued)

(i) *Accounting for research and development tax credit*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(ii) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly is exempted from Cayman Islands income tax.

(iii) *Hong Kong Profits Tax*

Hong Kong profits tax rate is 16.5% for the year ended 31 December 2023 (2022: 16.5%). No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2023 and 2022.

(iv) *USA Corporate Income Tax*

The corporate income tax rate of ABT and GBUS are subject to both federal income tax rate and California income tax rate, which is 29.84% in total for the year ended 31 December 2023 (2022: 29.84%). No USA profit tax was provided for as there was no estimated assessable profit that was subject to USA profits tax for the years ended 31 December 2023 and 2022.

(v) *PRC Corporate Income Tax*

In 2022, a "Certificate of New Hi-tech Enterprise" was granted to Genor Biopharma with a valid period of 3 years, and then Genor Biopharma becomes eligible for a preferential corporate income tax rate of 15% for the year ended 31 December 2023 (2022: 15%).

Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25% for the year ended 31 December 2023 (2022: 25%).

(vi) *Australian Corporate Income Tax*

Australian corporate tax rate is 25% for the year ended 31 December 2023. No Australian corporate tax was provided for as there was no estimated assessable profit that was subject to Australian corporate tax for the year ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT (CONTINUED)

(b) Numerical reconciliation of loss before income tax to income tax credit (Continued)

(vii) *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(c) Tax losses

The expiry date of tax losses is as follow:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
As at 31 December 2023	–	87,504
As at 31 December 2024	86,061	86,061
As at 31 December 2025	134,917	134,917
As at 31 December 2026	169,177	169,177
As at 31 December 2027	198,990	198,990
Later than 31 December 2028 (i)	4,211,892	3,427,089
Deductible losses without expiry date (Note 28 (b))	36,324	29,233
Total	4,837,361	4,132,971

- (i) The tax losses of the Company's Mainland China subsidiaries with the exception of those of Genor Biopharma will expire within five years. Genor Biopharma, as a High and New Technology Enterprise can carry forward losses for 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company (in RMB'000)	(674,362)	(730,214)
Weighted average number of ordinary shares in issue (in thousand)	506,245	504,301
Basic loss per share (in RMB)	(1.33)	(1.45)

(b) Diluted loss per share

The Group has potential dilutive shares throughout for the year ended 31 December 2023 in relation to the shares held for employee option plan (Note 23) and shares to be issued to Ab Studio Inc. ("ABS") (Note 27(a)). Due to the Group's losses during the year ended 31 December 2023, the potential dilutive shares have anti-dilutive effect on the Group's loss per share. Thus, the diluted loss per share is the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

Non-current	Leasehold improvements RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Office Equipment and furniture RMB'000	Construction- in-progress RMB'000	Total RMB'000
At 1 January 2022						
Cost	84,398	278,957	602	8,822	13,734	386,513
Accumulated depreciation	(47,591)	(132,842)	(495)	(5,552)	–	(186,480)
Net book amount	36,807	146,115	107	3,270	13,734	200,033
Year ended 31 December 2022						
Opening net book amount	36,807	146,115	107	3,270	13,734	200,033
Additions	–	1,492	–	26	11,263	12,781
Transfer upon completion	–	14,982	–	331	(15,313)	–
Disposals	–	(1,998)	–	(473)	–	(2,471)
Depreciation charge (a)	(5,661)	(23,497)	(74)	(1,121)	–	(30,353)
Closing net book amount	31,146	137,094	33	2,033	9,684	179,990
At 31 December 2022						
Cost	84,398	280,673	602	6,289	9,684	381,646
Accumulated depreciation	(53,252)	(143,579)	(569)	(4,256)	–	(201,656)
Net book amount	31,146	137,094	33	2,033	9,684	179,990
Year ended 31 December 2023						
Opening net book amount	31,146	137,094	33	2,033	9,684	179,990
Additions	3	103	–	–	880	986
Transfer upon completion	783	3,352	–	–	(4,135)	–
Disposals	–	(31,228)	(11)	(172)	–	(31,411)
Depreciation charge (a)	(31,113)	(24,225)	(2)	(884)	–	(56,224)
Impairment charge (b)	–	(35,481)	–	(211)	(4,232)	(39,924)
Closing net book amount	819	49,615	20	766	2,197	53,417
At 31 December 2023						
Cost	85,184	196,749	387	4,958	6,429	293,707
Accumulated depreciation and impairment	(84,365)	(147,134)	(367)	(4,192)	(4,232)	(240,290)
Net book amount	819	49,615	20	766	2,197	53,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

– Leasehold improvements	Shorter of remaining lease term or estimated useful lives
– Equipment and instruments	5 - 10 years
– Office equipment and furniture	5 years
– Motor vehicles	5 years

Depreciation charges in the following categories:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Research and development expenses	54,547	26,414
Administrative expenses	1,677	984
Manufacturing costs	–	2,928
Selling expenses	–	27
	56,224	30,353

(b) Impairment charges

In the year of 2023, the Group performed a review of the research and development milestone and drug commercial plans, which led to impairment charges of RMB39,924,000 in relation to idle assets in property, plant and equipment. The impairment losses of RMB39,924,000 was included in research and development expenses in the consolidated financial statements of profit and loss and other comprehensive income.

The idle assets in property, plant and equipment were written down to their recoverable amounts of RMB36,858,000. The Group uses FVLCD to determine its recoverable amount as it's higher than VIU. Details of the determination of the fair value of the idle assets in property, plant and equipment, refer to Note 3.3(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 LEASES

(a) Amounts recognised in the statement of financial position

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Right-of-use assets		
Properties	6,720	25,227
Lease liabilities		
Current	3,231	6,763
Non-current	3,924	21,823
	7,155	28,586

Additions to the right-of-use assets in 2023 were RMB8,889,000 (2022: RMB14,099,000).

(b) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
Properties	6,917	14,502
Interest expense (included in finance cost)	888	1,789
Expense relating to short-term leases (included in research and development expenses, selling expenses and administrative expenses)	904	640
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in research and development expenses, selling expenses and administrative expenses)	27	34

The total cash outflow for leases in 2023 was approximately RMB7,755,000 (2022: RMB22,165,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 year to 4 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

Non-current assets	Goodwill RMB'000 (Note b)	Computer software RMB'000	Licenses RMB'000 (Note c)	Total RMB'000
At 1 January 2022				
Cost	21,753	12,054	162,402	196,209
Accumulated amortisation	–	(5,451)	(19,715)	(25,166)
Net book amount	21,753	6,603	142,687	171,043
Year ended 31 December 2022				
Opening net book amount	21,753	6,603	142,687	171,043
Additions	–	1,557	2,358	3,915
Amortisation	–	(2,514)	(9,236)	(11,750)
Closing net book amount	21,753	5,646	135,809	163,208
At 31 December 2022				
Cost	21,753	13,611	164,760	200,124
Accumulated amortization	–	(7,965)	(28,951)	(36,916)
Net book amount	21,753	5,646	135,809	163,208
Year ended 31 December 2023				
Opening net book amount	21,753	5,646	135,809	163,208
Amortisation*	–	(4,685)	(9,061)	(13,746)
Impairment charge**	(3,934)	–	(35,429)	(39,363)
Closing net book amount	17,819	961	91,319	110,099
At 31 December 2023				
Cost	21,753	13,611	164,760	200,124
Accumulated amortisation and impairment	(3,934)	(12,650)	(73,441)	(90,025)
Net book amount	17,819	961	91,319	110,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTINUED)

- * Amortisation charges were expensed in the following categories in the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Research and development expenses	9,256	9,587
Administrative expenses	4,490	1,708
Selling expenses	–	455
	13,746	11,750

- ** The carrying amount of the original groups of cash-generating units ('CGUs') of therapeutic antibody research and development department (the "Therapeutic Antibody CGUs") and licenses have been reduced to their recoverable amounts through recognition of impairment losses against goodwill and licenses. The losses are included in research and development expenses in the consolidated statements of profit or loss and other comprehensive income.

(a) Amortisation methods and periods

(i) Goodwill

Goodwill is measured as described in Note 37.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over shorter of their estimated useful lives of 5 years or remaining years of use. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation methods and periods (Continued)

(iii) Licenses

Licenses acquired separately or as part of a business combination are recognised as intangible assets at historical cost and amortised using the straight-line method over their estimated useful lives of 10 to 20 years, which are determined by reference to the authorized useful lives and the management's estimation. The estimation is made considering the duration of the patent right and the technique advancement of the licenses. They are subsequently carried at cost less accumulated amortisation and impairment losses.

(iv) Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on oncology and autoimmune drugs. Research expenditures are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed biopharmaceutical product and all the following can be demonstrated:

- (i) The technical feasibility to complete the development project so that it will be available for use or sale;
- (ii) The intention to complete the development project to use or sell the product;
- (iii) The ability to use or sell the product;
- (iv) The manner in which the development project will generate probable future economic benefits for the Group;
- (v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- (vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, testing fee, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation methods and periods (Continued)

(iv) *Research and development (Continued)*

Capitalized development costs are amortised using the straight-line method over the life of the related product. Amortisation shall begin when the asset is available for use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(b) Impairment tests for goodwill

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

During the year ended 31 December 2023, as a new product application of Geptanolimab (GB226) as a treatment for relapsed/refractory peripheral T-cell lymphoma (PTCL) was not approved by the China National Medical Products Administration, future net cashflows forecast of the Therapeutic Antibody CGUs was adversely affected. The directors of the Company performed impairment tests on the Therapeutic Antibody CGUs, and concluded the impairment losses on goodwill totaling RMB3,934,000. during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment tests for goodwill (Continued)

The following is a summary of goodwill allocation for the Therapeutic Antibody CGUs:

	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Closing RMB'000
Year ended 31 December 2023				
Therapeutic Antibody CGUs	21,753	–	(3,934)	17,819
Year ended 31 December 2022				
Therapeutic Antibody CGUs	21,753	–	–	21,753

(c) Impairment on licenses

In 2023, GB226 was not approved as stated in Note 15(b), and the Group changed the research and development strategy to focus on certain pipelines, which was identified as an impairment indicator of relevant licenses. The Group has assessed the recoverable amounts of these relevant licenses and accrued impairment provision of RMB35,429,000 in research and development expenses. The recoverable amounts are determined based on the VIU method, which is higher than that under FVLCD. The pre-tax discount rate used in VIU is 26.72%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial Assets		
Financial assets at amortised cost		
Other receivables, deposits and prepayments (excluding prepayments and VAT input tax to be deducted)	48,127	35,325
Cash and bank balances	1,165,481	1,588,705
	1,213,608	1,624,030
Financial Liabilities		
Financial liabilities at amortised cost		
Trade payables	141,661	132,158
Other payables and accruals (excluding accrued employee benefits and tax payable)	52,179	66,543
Lease liabilities	7,155	28,586
Financial liabilities at fair value		
Contingent consideration in amounts due to related parties (<i>Note 27(a)</i>)	724	2,592
	201,719	229,879

The Group's exposure to various risks associated with the financial instruments are discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

The trade payables and other payables are unsecured. Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVENTORIES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Current assets		
Consumables	20,300	30,682
Raw materials	7,925	14,559
Work in progress	11,471	11,471
	39,696	56,712
Less: provisions for inventories	(34,029)	(9,308)
	5,667	47,404

(i) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2023 amounted to RMB29,288,000 (2022: RMB40,412,000). These were included in research expense and administrative expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Current		
Tax prepayment of share option and RSU plans	30,706	31,905
Prepayment for inventories and clinical fee	27,453	44,030
Receivable from disposals of property, plant and equipment	7,434	–
Interest receivables	7,401	–
Rental deposits	1,260	3,312
Prepayment for equipment and software	–	440
Others	3,302	3,016
	77,556	82,703
Less: provision for impairment	(8,922)	–
	68,634	82,703
Non-current		
VAT input tax to be deducted	24,425	15,748
Advance payment for equipment	1,499	3,852
Rental deposits	1,244	–
	27,168	19,600
Less: provision for impairment	–	–
	27,168	19,600

The carrying amounts of other receivables and deposits are mainly denominated in RMB and approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 CASH AND BANK BALANCES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash on hand	614	414
Cash at banks		
– RMB	976,563	1,359,099
– HKD	3,696	3,638
– USD	184,607	225,549
– AUD	1	5
Cash and bank balances	1,165,481	1,588,705

20 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Nominal value of shares USD
Authorised ordinary shares		
As at 31 December 2023	1,000,000,000	20,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

	Number of shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Issued ordinary shares					
As at 1 January 2022	502,473,536	68	9,290,903	(5,198)	9,285,773
Shares exercised under employee option plan and RSU plan	3,673,698	1	89,234	–	89,235
Shares repurchased and cancelled	(1,417,000)	–*	(5,134)	–	(5,134)
Issuance of shares as consideration for the acquisition of business (<i>Note 27(a)</i>)	511,364	–*	782	–	782
As at 31 December 2022	505,241,598	69	9,375,785	(5,198)	9,370,656
Shares exercised under employee option plan and RSU plan	1,767,064	–*	21,536	–	21,536
Issuance of shares as consideration for the acquisition of business (<i>Note 27(a)</i>)	511,363	–*	530	–	530
As at 31 December 2023	507,520,025	69	9,397,851	(5,198)	9,392,722

* The balance stated above was less than RMB1,000.

21 TREASURY SHARES

	2023 RMB'000	2022 RMB'000
Shares held for employee share scheme	5,198	5,198
	2023 Shares	2022 Shares
Shares held for employee share scheme (a)	3,786,684	3,786,684

(a) In 2023, no treasury shares were exercised under employee option plan and RSU plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER RESERVES

	Other Reserves			Total RMB'000
	Capital reserve RMB'000	Share-based payment reserve RMB'000	Other comprehensive loss RMB'000	
At 1 January 2022	(1,703,265)	296,394	(2,953)	(1,409,824)
Other comprehensive loss	–	–	(1,389)	(1,389)
Share-based payment (<i>Note 23</i>)	–	48,238	–	48,238
Shares exercised under employee option plan and RSU plan	–	(89,229)	–	(89,229)
At 31 December 2022	(1,703,265)	255,403	(4,342)	(1,452,204)
At 1 January 2023	(1,703,265)	255,403	(4,342)	(1,452,204)
Other comprehensive loss	–	–	(745)	(745)
Share-based payment (<i>Note 23</i>)	–	60,910	–	60,910
Shares exercised under employee option plan and RSU plan	–	(21,533)	–	(21,533)
At 31 December 2023	(1,703,265)	294,780	(5,087)	(1,413,572)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS

(a) 2020 Employee Option Plan

Set out below are summaries of options granted:

	Category I	
	Exercise price per share	Number of options
As at 1 January 2022	USD0.0002	15,711,060
Exercised	USD0.0002	(4,000,567)
Forfeited	USD0.0002	(1,310,446)
As at 31 December 2022	USD0.0002	10,400,047
Vested and exercisable at 31 December 2022	USD0.0002	3,717,137
As at 1 January 2023	USD0.0002	10,400,047
Exercised	USD0.0002	(885,721)
Forfeited	USD0.0002	(416,088)
As at 31 December 2023	USD0.0002	9,098,238
Vested and exercisable at 31 December 2023	USD0.0002	5,796,288
	Category II	
	Exercise price per share	Number of options
As at 1 January 2022	USD2.0000	16,911,626
Forfeited	USD2.0000	(3,218,915)
As at 31 December 2022	USD2.0000	13,692,711
Vested and exercisable at 31 December 2022	USD2.0000	6,808,151
As at 1 January 2023	USD2.0000	13,692,711
Forfeited	USD2.0000	(9,565,432)
As at 31 December 2023	USD2.0000	4,127,279
Vested and exercisable at 31 December 2023	USD2.0000	3,565,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(a) 2020 Employee Option Plan (Continued)

	Category III (A)	
	Exercise price per share	Number of options
As at 1 January 2022	USD0.0002	1,230,200
Exercised	USD0.0002	(1,202,863)
As at 31 December 2022	USD0.0002	27,337
Vested and exercisable at 31 December 2022	USD0.0002	27,337
As at 1 January 2023	USD0.0002	27,337
As at 31 December 2023	USD0.0002	27,337
Vested and exercisable at 31 December 2023	USD0.0002	27,337
	Category III (B)	
	Exercise price per share	Number of options
As at 1 January 2022	USD2.0000	50,000
As at 31 December 2022	USD2.0000	50,000
Vested and exercisable at 31 December 2022	USD2.0000	50,000
As at 1 January 2023	USD2.0000	50,000
As at 31 December 2023	USD2.0000	50,000
Vested and exercisable at 31 December 2023	USD2.0000	50,000

The fair value of the options under Category I ranged from RMB6.3224 to RMB8.5361. The fair value of the options under Category II ranged from RMB1.5520 to RMB4.2642. And the fair value of the options under Category III ranged from RMB3.8199 to RMB6.3224.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(a) 2020 Employee Option Plan (Continued)

Share options outstanding as at 31 December 2023 had the following exercise prices:

	Exercise price per share	Share options as at 31 December 2023
Category I	USD0.0002	9,098,238
Category II	USD2.0000	4,127,279
Category III (A)	USD0.0002	27,337
Category III (B)	USD2.0000	50,000
Total		13,302,854

(b) Post-IPO Share Option Plan

On 18 September 2020, the board of directors of the Company approved Post-IPO Share Option Plan. Under the plan, the Company granted options to executive directors and key employees to award their previous contributions and to acquire their long-term service in future.

The share-based payment under the Post-IPO Share Option Plan is equity-settled share-based payments with exercise price of HKD17.08, HKD10.85, HKD1.73, HKD1.81 or HKD1.50. The Company entered into agreements with certain employees on 3 June 2021 ("Batch I"), 27 August 2021 ("Batch II"), 5 October 2022 ("Batch III"), 25 May 2023 ("Batch IV") and 31 August 2023 ("Batch V"). Under these agreements, the options are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

Set out below are summaries of options and shares granted:

	Batch I	
	Exercise price per share	Number of options
As at 1 January 2022	HKD17.08	4,942,799
Forfeited	HKD17.08	(1,997,299)
As at 31 December 2022	HKD17.08	2,945,500
Vested and exercisable at 31 December 2022	HKD17.08	953,375
As at 1 January 2023	HKD17.08	2,945,500
Forfeited	HKD17.08	(1,711,800)
As at 31 December 2023	HKD17.08	1,233,700
Vested and exercisable at 31 December 2023	HKD17.08	815,850
	Batch II	
	Exercise price per share	Number of options
As at 1 January 2022	HKD10.85	2,529,000
Forfeited	HKD10.85	(1,596,000)
As at 31 December 2022	HKD10.85	933,000
Vested and exercisable at 31 December 2022	HKD10.85	233,250
As at 1 January 2023	HKD10.85	933,000
Forfeited	HKD10.85	(118,000)
As at 31 December 2023	HKD10.85	815,000
Vested and exercisable at 31 December 2023	HKD10.85	407,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

	Batch III	
	Exercise price per share	Number of options
As at 1 January 2022		–
Grant	HKD1.73	2,251,500
As at 31 December 2022	HKD1.73	2,251,500
Vested and exercisable at 31 December 2022	HKD1.73	476,250
As at 1 January 2023	HKD1.73	2,251,500
Forfeited	HKD1.73	(165,000)
As at 31 December 2023	HKD1.73	2,086,500
Vested and exercisable at 31 December 2023	HKD1.73	999,750
	Batch IV	
	Exercise price per share	Number of options
As at 1 January 2023		–
Granted	HKD1.81	11,600,000
As at 31 December 2023	HKD1.81	11,600,000
Vested and exercisable at 31 December 2023	HKD1.81	–
	Batch V	
	Exercise price per share	Number of options
As at 1 January 2023		–
Granted	HKD1.50	9,578,867
As at 31 December 2023	HKD1.50	9,578,867
Vested and exercisable at 31 December 2023	HKD1.50	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

The fair value of the options under the Post-IPO Share Option Plan ranged from RMB0.6149 to RMB6.9810.

Fair value of options granted

The fair value at grant date is independently determined using binomial option pricing model by an independent qualified valuer. The significant inputs were listed as below:

Post-IPO Share Option Plan	Batch I	Batch II	Batch III	Batch IV	Batch V
Expected price volatility	51.95% to 52.08%	52.40% to 52.54%	53.42% to 53.51%	53.35%	53.04%
Expected option life (year)	10	10	10	10	10
Risk free interest rate	1.26% to 1.40%	1.09% to 1.20%	3.49% to 3.51%	3.51%	3.80%
Spot price of ordinary shares (HKD)	17.08	10.85	1.73	1.73	1.50

The volatility factor estimated was based on the historical daily share price volatility of the comparable companies for the period close to the expected time to exercise. The risk free interest rate was referred to the market yield of government bond with similar issuing dates and maturity dates as of the respective grant dates.

(c) 2023 Share Option Plan

On 27 October 2023, the shareholders of the Company approved 2023 Share Option Plan. Under the plan, the Company granted options to executive directors and key employees to award their previous contributions and to acquire their long-term service in future.

The share-based payment under the 2023 Share Option Plan is equity-settled share-based payments with exercise price of HKD1.50. The Company entered into agreements with certain employees on 27 October 2023 ("Batch I"). Under these agreements, the options are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(c) 2023 Share Option Plan (Continued)

Set out below are summaries of options and shares granted:

	Batch I Exercise price per share	Number of options
As at 1 January 2023		–
Granted	HKD1.50	5,579,054
As at 31 December 2023	HKD1.50	5,579,054
Vested and exercisable at 31 December 2023	HKD1.50	–

The fair value of the options under the 2023 Share Option Plan ranged from RMB0.4074 to RMB0.4573.

Fair value of options granted

The fair value at grant date is independently determined using binomial option pricing model by an independent qualified valuer, the significant inputs were listed as below:

Post-IPO Share Option Plan	Batch I
Expected price volatility	52.88%
Expected option life (year)	10
Risk free interest rate	4.31%
Spot price of ordinary shares (HKD)	1.16

The volatility factor estimated was based on the historical daily share price volatility of the comparable companies for the period close to the expected time to exercise. The risk free interest rate was referred to the market yield of government bond with similar issuing dates and maturity dates as of the respective grant dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(d) 2021 RSU Plan

On 3 June 2021, the board of directors of the Company approved 2021 restricted share unit plan (the "2021 RSU Plan"). Under the plan, the Company granted RSUs to employees to recruit, incentivize and retain key employees.

The share-based payment under the 2021 RSU Plan is equity-settled share-based payments with exercise price of nil. The Company entered into agreements with certain employees on 3 June 2021, 27 August 2021, 5 October 2022, 25 May 2023 and 31 August 2023. Under these agreements, the shares are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

Set out below are summaries of shares granted:

	2021 RSU Plan	
	Exercise price per share	Number of shares
As at 1 January 2022	–	3,940,400
Granted	–	1,145,300
Exercised	–	(1,256,950)
Forfeited	–	(1,194,600)
As at 31 December 2022	–	2,634,150
Vested and exercisable at 31 December 2022	–	–
As at 1 January 2023	–	2,634,150
Granted	–	8,999,893
Exercised	–	(824,525)
Forfeited	–	(301,425)
As at 31 December 2023	–	10,508,093
Vested and exercisable at 31 December 2023	–	–

The fair value of the RSUs under the 2021 RSU Plan granted on 25 May 2023 and 31 August 2023 were RMB1.56 per share and RMB1.37 per share respectively, based on the closing price on the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(e) 2023 RSU Plan

On 27 October 2023, the shareholders of the Company approved 2023 restricted share unit plan (the "2023 RSU Plan"). Under the plan, the Company granted RSUs to employees to recruit, incentivize and retain key employees.

The share-based payment under the 2023 RSU Plan is equity-settled share-based payments with exercise price of nil. The Company entered into agreements with certain employees on 27 October 2023. Under these agreements, the shares are vested based on service conditions or performance conditions. The service conditions are designed to acquire service from certain employees for a specified period. In addition, the performance conditions also include specified performance targets, such as the achievement of certain research and development programs and the achievement of financing activities.

Set out below are summaries of shares granted:

	2023 RSU Plan	
	Exercise price per share	Number of shares
As at 1 January 2023	–	–
Granted	–	4,210,000
As at 31 December 2023	–	4,210,000
Vested and exercisable at 31 December 2023	–	–

The fair value of the RSUs under the 2023 RSU Plan was RMB1.07 per share, based on the closing price on the date of grant.

No options and shares expired during the year covered by the above tables in Note 23(a), (b), (c), (d) and (e).

Weighted average remaining contractual life of options and shares outstanding covered by the above tables in Note 23(a), (b), (c), (d) and (e) as at 31 December 2023 was 7.38 years (2022: 7.63 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(f) Share subscription and purchase agreement

On 26 September 2019, the Company entered into a subscription agreement with ABS, Dr. Yue Liu and ABT. Pursuant to the subscription agreement, the Company shall allot and issue 8,181,819 new ordinary shares to ABS and 909,091 new ordinary shares to Dr. Yue Liu. After the shares consolidated on 3 September 2020, the number of the above new ordinary shares changed to 4,090,910 and 454,546 for ABS and Dr. Yue Liu, respectively.

Out of 4,090,910 ordinary shares to be issued to ABS, 2,045,455 shares would be evenly issued on each anniversary of the closing of subscription agreement ("Closing") through the fourth anniversary of the Closing, and 2,045,455 shares would be issued based on the level of achievement of ABT's completion of milestones with respect to certain research and development programs.

Out of 454,546 ordinary shares to be issued to Dr. Yue Liu, 227,273 shares would be evenly issued on each anniversary of the Closing through the fourth anniversary of the Closing ("ABT Batch I"), and 227,273 shares would be issued based on the level of achievement of ABT's completion of milestones with respect to certain research and development program ("ABT Batch II").

On 17 October 2023, being the fourth anniversary of the Closing, the Company issued 511,363 shares and 56,818 shares to ABS and Dr. Yue Liu, respectively.

(g) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised for the years ended 31 December 2023 and 2022 as part of employee benefit expenses were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Employee option plan		
– Equity-settled share-based payment	60,377	47,527
Share-based payment to Dr. Yue Liu	533	711
	60,910	48,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE-BASED PAYMENTS (CONTINUED)

(h) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period)
- including the impact of any non-vesting conditions (for example, the fulfillment of each applicable milestones with respect to certain research and development program).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

24 TRADE PAYABLES

The aging analysis, based on invoice date, of trade payables as at the consolidated balance sheet date were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	139,012	130,964
1-2 years	2,397	397
2-3 years	252	797
	141,661	132,158

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract liabilities	4,893	4,893
Less: non-current portion	–	–
Current portion	4,893	4,893

The Group classifies these contract liabilities as current because the Group expects to realize them in their normal operating cycle, which are expected within one year.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised relating to carried-forward contract liabilities	–	755

Transaction price allocated to the unsatisfied performance obligations.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Aggregate amount of transaction price allocated to FFS contracts that are partially or fully unsatisfied	12,104	12,104

The above remaining performance obligation expected to be recognized mainly related to the contract of service. Management expects that the amount of RMB10,377,000 of the transaction in relation to unsatisfied obligations as of 31 December 2023 will be recognized as revenue within next one year (2022: RMB10,377,000). The remaining will be recognized in more than one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Payables to project funding (a)	37,423	38,012
Accrued employee benefits	21,860	40,863
Payables to suppliers of services and fixed assets	10,553	24,607
Tax payable	1,844	2,237
Others	4,203	3,924
	75,883	109,643

(a) Genor Biopharma entered into two agreements with National Health Commission (the "NHC") of the PRC in relation to two major new drug development projects in previous years. Based on the assessment of the given conditions of the two agreements, the total amount of RMB37,423,000 is expected to be settled in the coming twelve months.

The carrying amounts of accruals, other payables and provisions are mainly denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

27 BALANCES WITH RELATED PARTIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Amounts due to related parties		
Non-trade in nature		
ABS (a)	724	2,592
Less: non-current portion	(559)	(1,232)
Current portion	165	1,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

The Group has applied amendments to HKAS12 for its annual reporting period commencing 1 January 2023 to recognise deferred tax assets and deferred tax liabilities for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities separately on a gross basis. Accordingly, the comparative figures are represented as blow.

(a) Deferred income tax assets

	As at 31 December		
	2023	2022	
	RMB'000	RMB'000	
The balance comprises temporary differences attributable to:			
Lease liabilities	1,680	6,307	
Tax losses of ABT (i)	8,350	6,913	
	10,030	13,220	
Set-off of deferred tax assets pursuant to set-off provisions	(1,680)	(6,307)	
Net deferred tax assets	8,350	6,913	
Movements	Lease liability	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022	5,834	5,732	11,566
Credited to the profit or loss	473	1,181	1,654
At 31 December 2022	6,307	6,913	13,220
At 1 January 2023	6,307	6,913	13,220
Credited to the profit or loss	(4,627)	1,437	(3,190)
At 31 December 2023	1,680	8,350	10,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred income tax assets (Continued)

- (i) As at 31 December 2023, ABT had net operating losses amounting to RMB27,982,000 (2022: RMB23,167,000). Under federal tax regulations, the net operating losses can be carried forward and deductible for income tax purposes indefinitely. Under California state tax regulations, the net operating losses can generally be carried forward 20 years following the year of the loss incurred. Accordingly, the Company recognised deferred tax assets amounting to RMB8,350,000.

(b) Deferred income tax liabilities

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	1,680	6,307
Intangible assets	11,595	12,439
	13,275	18,746
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,680)	(6,307)
Net deferred tax liabilities	11,595	12,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax liabilities (continued)

Movements	Right of uses RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2022	5,833	13,282	19,115
Credited to the profit or loss	473	(843)	(370)
At 31 December 2022	6,306	12,439	18,745
At 1 January 2023	6,306	12,439	18,745
Credited to the profit or loss	(4,626)	(844)	(5,470)
At 31 December 2023	1,680	11,595	13,275

29 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NET CASH USED IN OPERATIONS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	(677,496)	(732,420)
Adjustments for:		
– Provision for impairment of inventories, intangible assets, property, plants and equipment	113,119	9,882
– Depreciation of property, plant and equipment	56,224	27,425
– Share-based payment expenses	60,910	48,238
– Provision for impairment of financial assets	8,922	–
– Amortisation of right-of-use assets and intangible assets	20,663	26,252
– Losses on disposal of property, plants and equipment	16,956	2,456
– (Gains)/Losses on disposal of right-of-use assets	(3,904)	4,184
– Finance cost	888	2,856
– Interest income	(29,669)	(28,114)
– Gains from asset related government grants	(3,692)	(3,692)
– Foreign exchange gains	(3,478)	(37,392)
– Net fair value gains on contingent consideration payable to ABS	(1,338)	(4,953)
	(441,895)	(685,278)
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation):		
– Other receivables, deposits and prepayments	9,621	104,937
– Trade payables	9,503	2,492
– Contract cost	–	414
– Other payables, accruals and provisions	(32,804)	(23,620)
– Restricted bank deposits	–	2,000
– Inventories	7,905	(4,705)
– Contract liabilities	–	(755)
– Deferred income of reimbursement of future expenses	282	(473)
– Amounts due to related parties	–	(733)
Net cash used in operations	(447,388)	(605,721)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NET CASH USED IN OPERATIONS (CONTINUED)

Net debt reconciliation is shown below:

	Lease liabilities RMB'000	Bank borrowings RMB'000	Total debts RMB'000
At 1 January 2022	27,708	29,700	57,408
Cash flows	(21,491)	(29,700)	(51,191)
Non-cash movements	22,369	–	22,369
At 31 December 2022	28,586	–	28,586
Cash flows	(6,824)	–	(6,824)
Non-cash movements	(14,607)	–	(14,607)
At 31 December 2023	7,155	–	7,155

31 CONTINGENCIES

As at 31 December 2023, there were no significant contingencies for the Group and the Company.

32 COMMITMENTS**(a) Capital commitments**

The following is the details of capital expenditure contracted for but not provided in the financial information.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	1,435	4,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 COMMITMENTS (CONTINUED)

(b) Operating lease commitments for short-term and low value leases

The Group has recognized right-of-use assets for these leases, except for short-term and low-value leases, see Note 14 for further information. The following is the details of operating lease commitments for short-term and low value leases.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Less than 1 year	11	670
Between 1 and 5 years	24	4
	35	674

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The executive directors are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
ABS	Minority shareholder of ABT

The following significant transactions were carried out between the Group and its related parties for the years ended 31 December 2023 and 2022. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Purchase of rental services and utilities from – ABS	534	513
Purchase of research and development services from – ABS	343	1,530
	877	2,043

(b) Balances with related parties

Balances with related parties as at 31 December 2023 and 2022 were disclosed in Note 27.

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, bonuses and other benefits	20,435	27,247
Share-based payment expenses (i)	28,552	33,335
Pension, social security costs and housing benefits	1,935	1,443
	50,922	62,025

- (i) The share-based payment expenses were recognised based on the fair value at the grant date, see Note 23 for further details.

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the years ended 31 December 2023 and 2022 were set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							
Director's fees RMB'000	Salaries (i) RMB'000	Discretionary bonuses RMB'000	Share-based payment expenses (i) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000	
For the year ended							
31 December 2023							
<i>Name of directors</i>							
Dr. Guo Feng	-	4,500	1,500	16,617	-	1,668	24,285
Dr. Lyu Dong	-	-	-	-	-	-	-
Mr. Chen Yu	-	-	-	-	-	-	-
Mr. Liu Yi	-	-	-	-	-	-	-
Mr. Zhou Honghao	420	-	-	-	-	-	420
Mr. Fung Edwin	420	-	-	-	-	-	420
Mr. Chen Wen	420	-	-	-	-	-	420
1,260	4,500	1,500	16,617	-	1,668	25,545	
For the year ended							
31 December 2022							
<i>Name of directors</i>							
Dr. Guo Feng	-	4,500	1,500	24,813	-	1,364	32,177
Dr. Zhou Joe Xin Hua	-	728	-	-	-	2	730
Dr. Lyu Dong	-	-	-	-	-	-	-
Dr. Ni Lin	-	-	-	-	-	-	-
Mr. Chen Yu	-	-	-	-	-	-	-
Mr. Liu Yi	-	-	-	-	-	-	-
Mr. Zhou Honghao	420	-	-	-	-	-	420
Mr. Fung Edwin	420	-	-	-	-	-	420
Mr. Chen Wen	420	-	-	-	-	-	420
1,260	5,228	1,500	24,813	-	1,366	34,167	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**(a) Directors' and chief executive's emoluments (Continued)**

- (i) The share-based payment expenses were recognised based on the fair value at the grant date, see Note 23 for further details.

The salaries paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.

Mr. Liu Yi was appointed as the director of the Company and Dr. Ni Lin was resigned on 29 July 2022.

Mr. Zhou Joe Xin Hua was resigned on 15 April 2022.

In 2023, none of directors waived or agreed to waive any emoluments (2022: Nil). In addition, no emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2023 and 2022.

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities, subsisted at the end of the year or at any time for the year ended 31 December 2023.

The Company did not provide any consideration to third parties for making available directors' services for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Intangible assets		73,360	102,120
Investments in subsidiaries		1,008,215	1,420,950
Financial assets at fair value through profit or loss		13,602	12,785
Total non-current assets		1,095,177	1,535,855
Current assets			
Other receivables and prepayments		7,454	439
Cash and bank balances		185,985	496,018
Total current assets		193,439	496,457
Total assets		1,288,616	2,032,312
EQUITY			
Equity attributable to owners of the Company			
Share capital		69	69
Share premium		9,397,851	9,375,785
Treasury shares		(5,198)	(5,198)
Other reserves	(a)	(1,165,405)	(1,204,782)
Accumulated losses	(a)	(6,939,988)	(6,142,298)
Total equity		1,287,329	2,023,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Amounts due to related parties	559	1,232
Total non-current liabilities	559	1,232
Current liabilities		
Other payables and accruals	563	1,268
Amounts due to related parties	165	6,236
Total current liabilities	728	7,504
Total liabilities	1,287	8,736
Total equity and liabilities	1,288,616	2,032,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

(a) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2022	(1,163,791)	(4,078,573)
Loss for the year	–	(2,063,725)
Share based payment	48,238	–
Shares exercised under employee option plan and RSU plan	(89,229)	–
At 31 December 2022	(1,204,782)	(6,142,298)
At 1 January 2023	(1,204,782)	(6,142,298)
Loss for the year	–	(797,690)
Share based payment	60,910	–
Shares exercised under employee option plan and RSU plan	(21,533)	–
At 31 December 2023	(1,165,405)	(6,939,988)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

37.1 Principles of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 37.2).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and balance sheet respectively.

(b) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.2 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

37.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors of the Group that make strategic decisions.

The Group has only one operating segment during the reporting period, so no segment information is presented.

37.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the functional currency. Since the majority of the operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income, within finance income or finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.5 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 13(b)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the statement of profit or loss and other comprehensive income.

Construction-in-progress (the "CIP") represents equipment and decorations under construction, and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to leasehold improvements as well as equipment and instruments and depreciated in accordance with the policy as stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.7 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.7 Financial assets (Continued)

(c) *Measurement (Continued)***Debt instruments**

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains – net" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other (losses)/gains – net" in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.7 Financial assets (Continued)

(c) *Measurement (Continued)***Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(d) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

37.8 Inventories

Consumables, raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.9 Trade and other receivables

Trade receivables are amounts due from customers for fee-for-service ("FFS") services performed and sales of goods in the ordinary course of business. They are generally settled by payment term within one year and therefore all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment. See Note 3.1 for a description of the Group's impairment policies.

37.10 Cash and bank balances

For the purpose of presentation in the statement of cash flows, cash and bank balances include cash on hand and deposits held at call with banks.

37.11 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, those instruments are deducted from equity. The consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the MaplesFS (BVI) Limited on behalf of AKQM Partner Trust are disclosed as treasury shares and deducted from contributed equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

37.13 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.13 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(c) *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES
(CONTINUED)

37.14 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) *Post-employment obligations*

The Group's subsidiaries mainly incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from the Group.

The employees in the USA are covered by other defined contribution pension plans sponsored by the respective local governments. The Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.15 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs or expenses are deferred and recognised in the profit or loss over the period necessary to match them with the costs or expenses that they are intended to compensate. Where the grants relating to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relating to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset on straight-line basis.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

For government grants relate to ordinary course of business, they are recognised as other income in the statement of profit or loss and other comprehensive income.

For government grants not relate to ordinary course of business, they are recognised as other gains in the statement of profit or loss and other comprehensive income.

37.17 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 9. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.18 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example, term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

37.18 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise information technology equipment and small items of office furniture.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Genor Biopharma Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION**What we have audited**

The consolidated financial statements of Genor Biopharma Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 82 to 163, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to share-based payment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Share-based payment	
Refer to Notes 2.20, 4(a) and 24 to the consolidated financial statements.	We reviewed the key terms of the agreements under the share option plans.
The Group operates share option plans and has entered into agreements with employees at grant date during the year.	We assessed the competence, capabilities and objectivity of the independent external valuer.
Management determine the fair values of the share options at each grant date with the assistance by an independent external valuer using binomial option pricing model. The determination of fair values requires significant management judgements and estimates and is based on key assumptions.	We assessed the valuation model applied and the relevant key assumptions with the assistance of our internal valuation specialists as follows: <ul style="list-style-type: none"> – expected price volatility by reference to the daily share price volatility of comparable companies in the past three years;
The key assumptions used in determining the grant date fair values include the expected price volatility, risk-free interest rate and expected option life. Furthermore, the achievements of performance and service conditions are also considered in estimating the vesting period and the number of options to be vested.	<ul style="list-style-type: none"> – risk-free interest rate by reference to the market yield of government bond with similar issuing dates and maturity dates as of the respective grant dates; – estimation of the employee forfeiture rate by comparing to the historical data and examining the actual performance;
The fair value of share options at each grant date was disclosed in Note 24 to the consolidated financial statements. During the year ended 31 December 2022, the total share-based payment expense amounting to approximately RMB48,238,000 was recognized in the consolidated statement of profit or loss and other comprehensive income.	<ul style="list-style-type: none"> – estimation of performance and service conditions achievements by reference to company business plan and historical performance.
We focused on this area because of the significant assumptions applied in the valuation of the share options at each grant date and the estimation of the vesting period and the numbers of options to be vested.	Based on the procedures performed, we found that the significant judgements and estimates made by management in assessing the fair values of share options at each grant date, the vesting period and the numbers of options to be vested were supported by the evidence we gathered.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	7	15,932	–
Cost of revenue	8	(983)	–
Gross profit		14,949	–
Selling expenses	8	(83,143)	(98,603)
Administrative expenses	8	(134,130)	(207,350)
Research and development expenses	8	(583,881)	(612,718)
Other income – net		9,855	44,813
Other (losses)/gains – net		(6,369)	14,751
Operating loss		(782,719)	(859,107)
Finance income	10	53,314	23,729
Finance costs	10	(3,015)	(30,928)
Finance income/(costs) – net		50,299	(7,199)
Loss before income tax		(732,420)	(866,306)
Income tax credit	12	2,024	932
Loss for the year		(730,396)	(865,374)
Loss for the year is attributable to:			
Owners of the Company		(730,214)	(865,224)
Non-controlling interests		(182)	(150)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(1,389)	(465)
Total comprehensive loss for the year		(731,785)	(865,839)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(731,603)	(865,689)
Non-controlling interests		(182)	(150)
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share (in RMB)	13	(1.45)	(1.75)
Diluted loss per share (in RMB)	13	(1.45)	(1.77)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	179,990	200,033
Right-of-use assets	15	25,227	23,334
Intangible assets	16	163,208	171,043
Other receivables, deposits and prepayments	19	19,600	76,121
Deferred income tax assets	29	6,913	5,732
Total non-current assets		394,938	476,263
Current assets			
Inventories	18	47,404	49,653
Contract cost		1,341	1,755
Other receivables, deposits and prepayments	19	82,703	132,529
Restricted bank deposits	20	–	2,000
Cash and bank balances	20	1,588,705	2,200,641
Total current assets		1,720,153	2,386,578
Total assets		2,115,091	2,862,841
EQUITY			
Equity attributable to the ordinary equity holders of the Company			
Share capital	21	69	68
Share premium	21	9,375,785	9,290,903
Treasury shares	21, 22	(5,198)	(5,198)
Other reserves	23	(1,452,204)	(1,409,824)
Accumulated losses		(6,115,974)	(5,385,760)
		1,802,478	2,490,189
Non-controlling interests		2,740	2,922
Total equity		1,805,218	2,493,111

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	21,823	20,107
Amounts due to related parties	28	1,232	5,004
Deferred income		13,984	18,149
Deferred income tax liabilities	29	12,439	13,282
Total non-current liabilities		49,478	56,542
Current liabilities			
Trade payables	25	132,158	129,666
Contract liabilities	26	4,893	5,648
Other payables and accruals	27	109,643	124,930
Short-term borrowings		–	29,700
Lease liabilities	15	6,763	7,601
Amounts due to related parties	28	1,360	4,056
Provisions		1,886	7,895
Deferred income		3,692	3,692
Total current liabilities		260,395	313,188
Total liabilities		309,873	369,730
Total equity and liabilities		2,115,091	2,862,841

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 82 to 163 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Guo Feng
Director

Chen Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company					Non-	Total equity
		Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	controlling interests RMB'000	
Balance at 1 January 2021		67	9,187,780	(6,813)	(1,426,445)	(4,520,536)	3,072	3,237,125
Comprehensive loss								
– Loss for the year		–	–	–	–	(865,224)	(150)	(865,374)
– Other comprehensive loss		–	–	–	(465)	–	–	(465)
Transaction with owners								
– Share-based payment	24	–	–	–	123,694	–	–	123,694
– Shares exercised under employee option plan and RSU plan	24	1	109,329	1,703	(106,608)	–	–	4,425
– Shares reacquired and held for employee share scheme		–	(11,977)	(88)	–	–	–	(12,065)
– Shares issued and held for employee share scheme	21	–*	–	–*	–	–	–	–
– Issuance of shares as consideration for a business combine		–*	5,771	–	–	–	–	5,771
Balance at 31 December 2021		68	9,290,903	(5,198)	(1,409,824)	(5,385,760)	2,922	2,493,111

* The balance stated above was less than RMB1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company					Non-	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	controlling interests RMB'000	
Balance at 1 January 2022		68	9,290,903	(5,198)	(1,409,824)	(5,385,760)	2,922	2,493,111
Comprehensive loss								
– Loss for the year		–	–	–	–	(730,214)	(182)	(730,396)
– Other comprehensive loss		–	–	–	(1,389)	–	–	(1,389)
Transaction with owners								
– Share-based payment	24	–	–	–	48,238	–	–	48,238
– Shares exercised under employee option plan and RSU plan	24	1	89,234	–*	(89,229)	–	–	6
– Shares repurchased and cancelled	21	–*	(5,134)	–	–	–	–	(5,134)
– Issuance of shares as consideration for a business combination	28(a)	–*	782	–	–	–	–	782
Balance at 31 December 2022		69	9,375,785	(5,198)	(1,452,204)	(6,115,974)	2,740	1,805,218

* The balance stated above was less than RMB1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	31	(605,721)	(647,470)
Interest received		28,114	23,729
Net cash outflow from operating activities		(577,607)	(623,741)
Cash flows from investing activities			
Payments for property, plant and equipment		(9,040)	(46,469)
Payments for intangible assets		(3,915)	(24,924)
Payments for acquisition of structured deposits		–	(7,472,675)
Proceeds from disposals of structured deposits		–	7,489,185
Proceeds from disposals of property, plant and equipment		15	623
Net cash outflow from investing activities		(12,940)	(54,260)
Cash flows from financing activities			
Proceeds from bank borrowings		69,300	64,200
Repayments of bank borrowings		(99,000)	(34,500)
Interest paid		(1,067)	(804)
Principal elements of lease payments		(19,702)	(12,488)
Interest of lease payments		(1,789)	(1,558)
Repurchase of ordinary shares		(5,134)	–
Proceeds from issuance of shares exercised under employee option plan		–	2,722
Net cash (outflow)/inflow from financing activities		(57,392)	17,572
Net decrease in cash and bank balances		(647,939)	(660,429)
Cash and bank balances at the beginning of the year		2,200,641	2,929,743
Exchange gains/(losses) on cash and bank balances		36,003	(68,673)
Cash and bank balances at the end of the year		1,588,705	2,200,641

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

1.1 General information

Genor Biopharma Holdings Limited (the “Company”), previously known as JHBP (CY) Holdings Limited, and its subsidiaries (together the “Group”), have principally engaged in developing and commercializing oncology and autoimmune drugs in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 10 April 2017 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

Following the outbreak of Coronavirus Disease 2019 in early 2020 and the Omicron variant in 2022 (together, the “COVID-19 pandemic”), a series of precautionary and control measures had been implemented across the country in this year. As at the reporting date, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 pandemic.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Genor Biopharma Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(a) *Compliance with HKFRS and the disclosure requirements of HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) *New and amended standards adopted by the Group*

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16 (March 2021), and
- Amendments to AG 5 Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(d) *New standards and interpretations not yet adopted*

		Effective for annual periods beginning on or after
• HKFRS 17	Insurance Contracts	01-Jan-23
• HKFRS 17	Amendments to HKFRS 17	01-Jan-23
• HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9-Comparative Information	01-Jan-23
• Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	01-Jan-23
• Amendments to HKAS 8	Definition of Accounting Estimates	01-Jan-23
• Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01-Jan-23
• Hong Kong Interpretations 5 (Revised)	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	01-Jan-24
• Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	01-Jan-24
• Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	01-Jan-24
• Amendments to HKFRS 16	Lease liability in a sale and leaseback	01-Jan-24
• Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) *New standards and interpretations not yet adopted (Continued)*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and balance sheet respectively.

(b) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation (Continued)

(b) *Changes in ownership interests (Continued)*

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors of the Group that make strategic decisions.

The Group has only one operating segment during the reporting period, so no segment information is presented.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income, within finance income or finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

–	Leasehold improvements	Shorter of remaining lease term or estimated useful lives
–	Equipment and instruments	5-10 years
–	Office equipment and furniture	5 years
–	Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

Construction-in-progress (the "CIP") represents equipment and decorations under construction, and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to leasehold improvements as well as equipment and instruments and depreciated in accordance with the policy as stated above.

2.8 Intangible assets

(a) *Goodwill*

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) *Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

(c) *Licenses*

Licenses acquired separately or as part of a business combination are recognised as intangible assets at historical cost and amortised using the straight-line method over their estimated useful lives of 10 to 20 years, which are determined by reference to the authorized useful lives and the management's estimation. The estimation is made considering the duration of the patent right and the technique advancement of the licenses. They are subsequently carried at cost less accumulated amortisation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(d) *Research and development*

The Group incurs significant costs and efforts on research and development activities, which include expenditures on oncology and autoimmune drugs. Research expenditures are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed biopharmaceutical product and all the following can be demonstrated:

- (i) The technical feasibility to complete the development project so that it will be available for use or sale;
- (ii) The intention to complete the development project to use or sell the product;
- (iii) The ability to use or sell the product;
- (iv) The manner in which the development project will generate probable future economic benefits for the Group;
- (v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- (vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, testing fee, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalized development costs are amortised using the straight-line method over the life of the related product. Amortisation shall begin when the asset is available for use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other (losses)/gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains – net" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other (losses)/gains – net" in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(c) *Measurement (Continued)***Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(d) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

2.11 Inventories

Consumables, raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for fee-for-service ("FFS") services performed and sales of goods in the ordinary course of business. They are generally settled by payment term within one year and therefore all classified as current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment. See Note 3.1 for a description of the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and bank balances

For the purpose of presentation in the statement of cash flows, cash and bank balances include cash on hand and deposits held at call with banks.

2.14 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, those instruments are deducted from equity. The consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the MaplesFS (BVI) Limited on behalf of AKQM Partner Trust are disclosed as treasury shares and deducted from contributed equity.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The convertible loans were designated as financial liabilities at amortised cost by the management until extinguished on conversion or maturity of the bonds. Interest cost from these financial liabilities is included in finance costs using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings (Continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(c) *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) *Post-employment obligations*

The Group's subsidiaries mainly incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from the Group.

The employees in United States of America ("USA") are covered by other defined contribution pension plans sponsored by the respective local governments. The Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period)
- including the impact of any non-vesting conditions (for example, the fulfillment of each applicable milestones with respect to certain research and development program).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(b) *Share-based payment transactions with cash alternatives*

The Group operates a share-based compensation plan, under which the entity receives services from employees and the terms of the plan provide the employees with a choice of whether the entity settles the transaction in cash or by issuing equity instruments.

For this kind of share-based payment transactions, the Group is considered to have issued a compound financial instrument, which includes a debt component (the employees' right to demand payment in cash) and an equity component (the employees' right to demand settlement in equity instruments rather than in cash).

The Group measures the fair value of the compound financial instrument at the measurement date, taking into account the terms and conditions on which the rights to cash or equity instruments were granted. To apply this, the Group first measures the fair value of the compound financial instrument, and then measures the fair value of the debt component, taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the equity component is the difference between these amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

(b) *Share-based payment transactions with cash alternatives (Continued)*

At the end of each reporting period and the date of settlement, the Group re-measure the liability to its fair value with any changes in fair value recognised in profit or loss. If the cash option expires or the Group issues equity instruments on settlement rather than paying cash, the liability shall be transferred direct to equity, as the consideration for the equity instruments issued. If the Group pays in cash on settlement rather than issuing equity instruments, that payment shall be applied to settle the liability in full. Any equity component previously recognised shall remain within equity.

(c) *Share-based payment transactions among Group entities*

The Company settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the Company's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction. In its separate financial statements, the Company records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by the Company. The Company records a debit, recognizing the cash the employee paid when exercising the equity-settled share-based payment along with a decrease in reserves and a credit, recognizing share capital and share premium of the Company.

2.21 Revenue recognition

Revenues are recognised when, or as, the control of the good or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the services may be transferred over time or at a point in time.

(a) *Fee for services*

Except for collaboration arrangements that are distinct from other promised goods and services, control of the services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(a) Fee for services (Continued)

The progress towards complete satisfaction of performance obligation, depending on the nature of the service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer relative to the remaining services promised under the contract; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When determining the transaction price to be allocated to different performance obligations, the Group first determines the services fees that the Group entitles in the contract period and adjusts the transaction price for variable considerations and significant financing component, if any. The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group incurs costs to fulfill FFS contract. The Group first assesses whether these contract cost qualify for recognition as an asset in terms of other relevant HKFRSs, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- (i) The costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (ii) The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) The costs are expected to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(a) *Fee for services (Continued)*

The asset is recognised as contract cost in the balance sheet and subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the deliverable unit. Contract costs mainly consists of cost of materials consumed, cost of direct labor, other direct costs and related overheads engaged in providing research and manufacturing services. The asset is also subject to impairment review.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a service to the customer, the Group presents the contract as a contract liability when the payment is made or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group earns revenues by providing research and manufacturing services to its customers through FFS contracts. Contract duration ranges from a few months to years. The FFS contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual standalone selling price. The Group identifies each deliverable unit as a separate performance obligation, allocates the transaction price on the basis of relative standalone selling prices and recognizes FFS revenue at the point in time upon finalization, delivery and acceptance of the deliverable unit.

(b) *Sale of goods*

The Group manufactures and sells certain biosimilars products to distributors. Sales are recognized when control of the products has transferred, being when the products are delivered to the distributor, the distributor has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributor's acceptance of the products. Delivery occurs when the products have been shipped to the specific location where the risks of obsolescence and loss have been transferred to the distributor, and either the distributor has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The price is normally fixed and with no sales discount or volume rebate.

(c) *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs or expenses are deferred and recognised in the profit or loss over the period necessary to match them with the costs or expenses that they are intended to compensate. Where the grants relating to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relating to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset on straight-line basis.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

For government grants relate to ordinary course of business, they are recognised as other income in the statement of profit or loss and other comprehensive income.

For government grants not relate to ordinary course of business, they are recognised as other gains in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example, term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise information technology equipment and small items of office furniture.

3 FINANCIAL RISK MANAGEMENT

The Group's risk management is predominantly controlled by the treasury department under policies approved by the board of directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, when appropriate. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.1 Financial risk factors

(a) Market Risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the change in foreign exchange rates.

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Company's presentation and functional currency is RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

As at 31 December 2022, the Group had foreign currency of Hong Kong dollars ("HKD"), United States dollars ("USD") and Australian dollars ("AUD") and was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market Risk (Continued)

(i) Foreign exchange risk (Continued)

The amounts denominated on the currency other than the functional currency of the Group were as follows:

	As at 31 December 2022			As at 31 December 2021		
	HKD	USD	AUD	HKD	USD	AUD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	3,638	225,549	5	328,972	358,510	–

The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange gains/(losses) included in finance income/(costs)	25,200	(28,318)

As at 31 December 2022, if RMB weakened or strengthened by 10% against USD, with all other variables held constant, loss for the year of the Group would have been RMB22,555,000 lower or higher (2021: RMB35,851,000 lower or higher).

(b) Credit Risk

Credit risk mainly arises from cash and bank balances, trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The credit risk of cash and bank balances is relatively limited, because the counterparties are mainly state-owned or public listed commercial banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit Risk (Continued)

(i) **Impairment of financial assets**

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables,
- Other receivables, and
- Amounts due from related parties

While cash and bank balances and restricted bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and amounts due from related parties.

Trade receivables, other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables, other receivables and amounts due from related parties are presented as net impairment losses within profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

For trade and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information.

As at 31 December 2022, the Group had no balance in respect of trade receivables nor amounts due from related parties.

As at 31 December 2022, the Group had RMB35,429,000 in respect of other receivables, of which RMB31,905,000 was receivables from employees. Considering the credit risk of the receivables was minor, the Company do not expect any losses from amounts due from the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit Risk (Continued)

(i) Impairment of financial assets (Continued)

On that basis, the expected credit loss rate of the financial assets measured at amortised cost is determined as 0.00%.

As at 31 December 2022 and 2021, the loss allowance of trade receivables, other receivables and amounts due from related parties was nil.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Trade payables	129,666	–	–	–	129,666
Other payables and accruals (excluding non-financial liabilities)	62,763	–	–	–	62,763
Amounts due to related parties (excluding contingent consideration to be settled in equity)	733	–	–	–	733
Short-term borrowings	30,360	–	–	–	30,360
Lease liabilities	8,758	4,530	11,367	5,941	30,596
	232,280	4,530	11,367	5,941	254,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity Risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
Trade payables	132,158	–	–	–	132,158
Other payables and accruals (excluding non-financial liabilities)	66,543	–	–	–	66,543
Lease liabilities	8,038	8,579	12,544	2,914	32,075
	206,739	8,579	12,544	2,914	230,776

3.2 Capital Risk Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2022 and 2021 was as follows:

	As at 31 December	
	2022	2021
Gearing ratio	14.65%	12.91%

There were no changes in the Group's approach to capital management for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as following:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's liabilities that are measured at fair value at 31 December 2022 and 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Contingent consideration in amounts due to related parties	–	2,592	–	2,592
As at 31 December 2021				
Contingent consideration in amounts due to related parties	–	8,327	–	8,327

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values level 2 and level 3 fair values

The valuation techniques used to determine the fair value of the Group's level 2 instruments are based on quoted market prices and the probability of the contingencies at the year ended.

The valuation techniques used to determine the fair value of the Group's level 3 instruments are discounted cash flow method and option-pricing method.

(c) Fair value measurements using significant unobservable inputs (level 2 and level 3)

The following table presents the changes in level 2 items for the years ended 31 December 2022 and 2021:

	Contingent consideration in amounts due to related parties Years ended 31 December	
	2022 RMB'000	2021 RMB'000
Opening balance	8,327	39,394
Issued shares (Note 28(a))	(782)	(5,771)
Gains recognised in other income	(4,953)	(25,296)
Closing balance	2,592	8,327

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 2021:

	Structured deposits Years ended 31 December	
	2022 RMB'000	2021 RMB'000
Opening balance	–	–
Additions	–	7,472,675
Changes in fair value recognised in profit or loss	–	16,510
Disposals	–	(7,489,185)
Closing balance	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Recognition of share-based payment expenses

As mentioned in Note 24, share-based payment was granted to the employees. The management have used the binomial option pricing model to determine the total fair value of the awarded options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the expected price volatility, expected option life, risk-free interest rate and estimation of achievement of non-vesting condition, is required to be made by the management in applying the binomial model. The management applies judgements and estimates, such as employee performance, employee forfeiture rate and achievement of performance and service conditions, in determining share-based payment expenses each period.

(b) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units was determined based on value-in-use calculations which require the use of estimates. When applying valuation technique, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

The basis for the key assumptions used in the impairment testing as of 31 December 2022 are as follows:

(i) Revenue (% compound growth rates)

The revenue compound growth rates for the twenty-year projection period is based on the Company's forecast of its average revenue growth rate from 2023 to 2042. The Company considers the business strategy and the management's expectation for the market development in estimating these growth rates.

(ii) Research and development expenses (% compound growth rates)

The research and development expenses (% compound growth rates) are determined on the basis of management's expectation and the progress of clinical trials.

(iii) Discount rate

The discount rates for the forecast period and after that period are determined by reference to discount rates provided by the management. Discount rates were estimated based on the weighted average cost of capital ("WACCs") with reference to the industry risk premium and the debt to equity ratio of some guideline companies in biopharmaceutical sector.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

The Group has been operating in single reporting segment, engaging in the discovery, development and commercialisation of biopharmaceutical products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Group regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, the Group's operating results were primarily derived in the PRC.

6 MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Share-based payment expenses	24	48,238	134,273

7 REVENUE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time:		
– Sales of goods	11,880	–
– Fee for service contracts	4,052	–
	15,932	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 REVENUE (CONTINUED)

(a) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Customer A	5,878	–
Customer B	3,125	–
Customer C	2,701	–
Customer D	2,101	–
	13,805	–

The amount of revenue from external customers broken down by location of the customers is shown in the table below.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Mainland China	12,807	–
USA	3,125	–
	15,932	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Employee benefits expenses (<i>Note 9</i>)	332,982	444,730
Development fee and clinical trial expenses	240,522	236,282
Raw material and consumables used	69,019	61,766
Depreciation and amortization	53,677	60,745
Professional and technical service fee	35,603	47,954
Marketing and promotion expenses	27,428	12,064
Traveling and transportation expenses	10,362	7,479
Write down of inventories	9,882	4,158
Utilities	8,256	10,946
Auditor's remuneration		
– Audit services	3,100	2,650
– Non-audit services	348	–
Others	10,958	29,897
	802,137	918,671

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses and other benefits	225,349	271,354
Share-based payment expenses (<i>Note 24</i>)	48,238	134,273
Social security costs and housing benefits	18,041	22,703
Pension-defined contribution plan (<i>i</i>)	14,741	15,539
Termination benefits	26,613	861
	332,982	444,730

- (i) The Group did not have any forfeited contribution for the year ended 31 December 2022 (2021: Nil) in connection with the defined contribution plan operated by local governments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director, whose emoluments are reflected in the analysis presented in Note 35. The emoluments payable to the remaining four (2021: four) individuals were as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	27,461	61,936
Contribution to pension scheme	120	109
Discretionary bonuses	4,218	3,054
	31,799	65,099

During the year, no emoluments have been paid to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

The emoluments fell within the following bands:

	Year ended 31 December	
	2022 no. of individuals	2021 no. of individuals
Emolument bands (in HKD)		
HKD3,000,001 – HKD3,500,000	1	–
HKD6,500,001 – HKD7,000,000	1	–
HKD13,000,001 – HKD13,500,000	2	–
HKD14,000,001 – HKD14,500,000	–	1
HKD18,500,001 – HKD19,000,000	–	1
HKD20,500,001 – HKD21,000,000	–	1
HKD24,500,001 – HKD25,000,000	–	1
	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance income		
Interest from bank deposits	28,114	23,729
Net foreign currency exchange gain	25,200	–
	53,314	23,729
Finance costs		
Net foreign currency exchange loss	–	(28,318)
Interest on lease liabilities	(1,789)	(1,558)
Interest on bank borrowings	(1,067)	(804)
Others	(159)	(248)
	(3,015)	(30,928)
Financial income/(costs) – net	50,299	(7,199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country/place and date of incorporation/ establishment and kind of legal entity	Registered/ Issued and paid-up capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
			2022	2021	2022	2021
Directly owned:						
Genor Biopharma (HK) Limited (“GBHK”)	Hong Kong, 24 October 2016, limited liability company	1 ordinary share, HKD0.001	100.00%	100.00%	–	–
Genor Biopharma (USA), Inc. (“GBUS”)	USA, 23 November 2020, corporation	100 ordinary shares, USD0.001	100.00%	100.00%	–	–
AB Therapeutics Inc. (“ABT”)	USA, 19 August 2019, limited liability company	10,000,000 ordinary shares, USD100	80.00%	80.00%	20.00%	20.00%
Genor Biopharma PTY LTD (“GBAUS”)	Australian, 19 May 2022, Limited liability company	100 ordinary shares, AUD100	100.00%	–	–	–
Indirectly owned:						
Genor Biopharma Co., Ltd. (嘉和生物藥業有限公司) (“Genor Biopharma”)	The PRC, 4 December 2007, limited liability company	RMB 831,338,351	100.00%	100.00%	–	–
Yuxi Genor Biotechnology Co., Ltd. (玉溪嘉和生物技術有限公司)	The PRC, 8 July 2014, limited liability company	RMB 400,000,000	100.00%	100.00%	–	–
Shanghai Genor Pharmaceutical Technology Co., Ltd. (上海嘉和醫藥科技有限公司)(i)	The PRC, 3 February 2021, limited liability company	RMB 400,000,000	100.00%	100.00%	–	–

(i) Shanghai Genor Pharmaceutical Technology Co., Ltd. cancelled its registration on 15 March 2023.

(a) Significant restrictions

As at 31 December 2022, cash and bank balances of RMB1,085,704,000 (2021: RMB1,212,902,000) are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (CONTINUED)

(b) Investments in subsidiaries

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Interests in subsidiaries, net	880,210	2,484,094
Deemed capital contribution to subsidiaries (i)	540,740	492,502
	1,420,950	2,976,596

- (i) The amounts represent the equity-settled share-based payments in respect of the respective share options granted by the Company to certain employees of certain subsidiaries for employees' services rendered to the respective subsidiaries under the Company's employee option plan as disclosed in Note 24. Since the subsidiaries have no obligation to reimburse such expenses, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

12 INCOME TAX CREDIT

(a) Income tax credit

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<i>Current tax</i>		
Current tax on profits for the year	–	–
Total current tax expense	–	–
<i>Deferred income tax</i>		
Increase in deferred tax assets (Note 29 (a))	(1,181)	(89)
Decrease in deferred tax liabilities (Note 29 (b))	(843)	(843)
Total deferred tax credit	(2,024)	(932)
Income tax credit	(2,024)	(932)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT (CONTINUED)

(b) Numerical reconciliation of loss before income tax to income tax credit

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(732,420)	(866,306)
Calculated at the PRC taxation rate of 25%	(183,105)	(216,577)
Effect of different tax rates of operating entities in other jurisdictions	9,903	13,436
Effect of preferential tax rates	59,164	–
Expenses not deductible for taxation purposes		
– <i>Share-based payment expenses</i>	6,920	30,584
– <i>Others</i>	1,722	3,600
Super deduction of research and development expenses	(62,025)	(91,750)
Unused tax loss not recognised as deferred tax assets	165,397	259,775
Income tax credit	(2,024)	(932)

(i) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly is exempted from Cayman Islands income tax.

(ii) *Hong Kong Profits Tax*

Hong Kong profits tax rate is 16.5% for the year ended 31 December 2022 (2021: 16.5%). No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2022 and 2021.

(iii) *USA Corporate Income Tax*

The corporate income tax rate of ABT and GBUS are subject to both federal income tax rate and California income tax rate, which is 29.84% in total for the year ended 31 December 2022 (2021: 29.84%). No USA profit tax was provided for as there was no estimated assessable profit that was subject to USA profits tax for the years ended 31 December 2022 and 2021.

(iv) *PRC Corporate Income Tax*

In 2022, a "Certificate of New Hi-tech Enterprise" was granted to Genor Biopharma with a valid period of 3 years, and then Genor Biopharma becomes eligible for a preferential corporate income tax rate of 15% for the year ended 31 December 2022 (2021: 25%).

Other subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the rate of 25% for the year ended 31 December 2022 (2021: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX CREDIT (CONTINUED)

(b) Numerical reconciliation of loss before income tax to income tax credit (Continued)

(v) Australian Corporate Income Tax

Australian corporate tax rate is 25% for the year ended 31 December 2022. No Australian corporate tax was provided for as there was no estimated assessable profit that was subject to Australian corporate tax for the year ended 31 December 2022.

(c) Tax losses

The expiry date of tax losses is as follow:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
As at 31 December 2022	–	58,251
As at 31 December 2023	87,504	449,260
As at 31 December 2024	86,061	648,583
As at 31 December 2025	134,917	929,279
As at 31 December 2026	169,177	1,039,098
Later than 31 December 2027 (i)	3,626,079	–
Deductible losses without expiry date (Note 29 (b))	29,233	19,207
Total	4,132,971	3,143,678

- (i) The tax losses of the Company's Mainland China subsidiaries with the exception of those of Genor Biopharma will expire within five years. Genor Biopharma, as a High and New Technology Enterprise can carry forward losses for 10 years.

13 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (in RMB'000)	(730,214)	(865,224)
Weighted average number of ordinary shares in issue (in thousand)	504,301	495,180
Basic loss per share (in RMB)	(1.45)	(1.75)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of fair value changes with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The Group has potential dilutive shares throughout for the year ended 31 December 2022 related to the shares held for employee option plan (Note 24) and shares to be issued to Dr. Yue Liu and Ab Studio Inc. ("ABS") (Note 28(a)).

The loss attributable to the owners of the Company (the "numerator") has been adjusted by the effect of fair value changes on the contingent consideration to ABS, excluding those which have anti-dilutive effect to the Group's diluted loss per share.

In addition, diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of potential dilutive ordinary shares arising from shares to be issued to ABS.

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (in RMB'000)		
Used in calculating basic loss per share	(730,214)	(865,224)
Less: the fair value changes on contingent consideration to ABS	998	11,278
Loss attributable to owners of the Company for the calculation of diluted loss per share	(731,212)	(876,502)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (in thousand)	504,301	495,180
Adjustments for calculation of diluted loss per share:		
Shares to be issued to ABS	511	1,023
Weighted average number of ordinary shares in issue for the calculation of diluted loss per share	504,812	496,203
Diluted loss per share (in RMB)	(1.45)	(1.77)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

Non-current	Leasehold improvements RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Office Equipment and furniture RMB'000	Construction- in-progress RMB'000	Total RMB'000
At 1 January 2021						
Cost	82,455	257,782	602	8,036	3,810	352,685
Accumulated depreciation	(38,413)	(108,888)	(397)	(4,699)	–	(152,397)
Net book amount	44,042	148,894	205	3,337	3,810	200,288
Year ended 31 December 2021						
Opening net book amount	44,042	148,894	205	3,337	3,810	200,288
Additions	841	2,967	–	487	31,531	35,826
Transfer upon completion	1,102	19,830	–	675	(21,607)	–
Disposals	–	(751)	–	(80)	–	(831)
Depreciation charge (a)	(9,178)	(24,825)	(98)	(1,149)	–	(35,250)
Closing net book amount	36,807	146,115	107	3,270	13,734	200,033
At 31 December 2021						
Cost	84,398	278,957	602	8,822	13,734	386,513
Accumulated depreciation	(47,591)	(132,842)	(495)	(5,552)	–	(186,480)
Net book amount	36,807	146,115	107	3,270	13,734	200,033
Year ended 31 December 2022						
Opening net book amount	36,807	146,115	107	3,270	13,734	200,033
Additions	–	1,492	–	26	11,263	12,781
Transfer upon completion	–	14,982	–	331	(15,313)	–
Disposals	–	(1,998)	–	(473)	–	(2,471)
Depreciation charge (a)	(5,661)	(23,497)	(74)	(1,121)	–	(30,353)
Closing net book amount	31,146	137,094	33	2,033	9,684	179,990
At 31 December 2022						
Cost	84,398	280,673	602	6,289	9,684	381,646
Accumulated depreciation	(53,252)	(143,579)	(569)	(4,256)	–	(201,656)
Net book amount	31,146	137,094	33	2,033	9,684	179,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation were charged in the following categories:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Research and development expenses	26,414	33,776
Manufacturing costs	2,928	–
Administrative expenses	984	1,354
Selling expenses	27	120
	30,353	35,250

15 LEASES

(a) Amounts recognised in the balance sheet

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Properties	25,227	23,334
Lease liabilities		
Current	6,763	7,601
Non-current	21,823	20,107
	28,586	27,708

Additions to the right-of-use assets in 2022 were RMB14,099,000 (2021: RMB10,179,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 LEASES (CONTINUED)

(b) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Properties	14,502	14,678
Interest expense (included in finance cost)	1,789	1,558
Expense relating to short-term leases (included in research and development expenses, selling expenses and administrative expenses)	640	943
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in research and development expenses, selling expenses and administrative expenses)	34	117

The total cash outflow for leases in 2022 was approximately RMB22,165,000 (2021: RMB15,106,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 2 years to 15 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS

Non-current assets	Goodwill RMB'000 (Note a)	Computer software RMB'000	Licenses RMB'000	Total RMB'000
At 1 January 2021				
Cost	21,753	9,947	139,585	171,285
Accumulated amortisation	–	(3,391)	(10,958)	(14,349)
Net book amount	21,753	6,556	128,627	156,936
Year ended 31 December 2021				
Opening net book amount	21,753	6,556	128,627	156,936
Additions	–	2,107	22,817	24,924
Amortisation	–	(2,060)	(8,757)	(10,817)
Closing net book amount	21,753	6,603	142,687	171,043
At 31 December 2021				
Cost	21,753	12,054	162,402	196,209
Accumulated amortization	–	(5,451)	(19,715)	(25,166)
Net book amount	21,753	6,603	142,687	171,043
Year ended 31 December 2022				
Opening net book amount	21,753	6,603	142,687	171,043
Additions	–	1,557	2,358	3,915
Amortisation	–	(2,514)	(9,236)	(11,750)
Closing net book amount	21,753	5,646	135,809	163,208
At 31 December 2022				
Cost	21,753	13,611	164,760	200,124
Accumulated amortization	–	(7,965)	(28,951)	(36,916)
Net book amount	21,753	5,646	135,809	163,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (CONTINUED)

Amortisation charges were expensed in the following categories in the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Research and development expenses	9,587	9,528
Administrative expenses	1,708	1,244
Selling expenses	455	45
	11,750	10,817

(a) Impairment tests for goodwill

Goodwill of RMB21,753,000 is resulted from the acquisition of a subsidiary in 2019. The subsidiary is principally engaged in the provision of research and development in the USA.

In 2022, the Group developed the new drugs research and development department which is an individual cash-generating unit (the "New Drugs CGU") that is not expected to benefit from the synergies of the acquisition of a subsidiary in 2019. Therefore, the operating segment contained the New Drugs CGU and the original groups of CGUs of therapeutic antibody research and development department (the "Therapeutic Antibody CGUs"). Management reviews the business performance of the Therapeutic Antibody CGUs in the only operating segment.

Goodwill is monitored by the management at level of Therapeutic Antibody CGUs.

The following is a summary of goodwill allocation for the Therapeutic Antibody CGUs:

	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Closing RMB'000
Year ended 31 December 2021				
Therapeutic Antibody CGUs	21,753	–	–	21,753
Year ended 31 December 2022				
Therapeutic Antibody CGUs	21,753	–	–	21,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill (Continued)

The recoverable amount of the Therapeutic Antibody CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management, and the projections covered a twenty-year period (2021: twenty-year period). Considering it generally takes longer for a biotechnology company to reach a perpetual growth mode compared to companies in other industries, taking into account of the commercialisation timing, patent protection period and product life cycle, the management prepared the financial forecast up to the year of 2042 in the goodwill impairment test, which demonstrated a twenty-year forecast period starting from the year of 2023. Cash flows beyond the twenty-year period are extrapolated using the estimated growth rates stated below.

The recoverable amount of the Therapeutic Antibody CGUs (including goodwill) based on the estimated value-in-use calculations was higher than the carrying amount at 31 December 2022. Accordingly, no provision for impairment loss for goodwill is considered necessary.

The key assumptions used in the value-in-use calculations as of 31 December 2022 and 2021 are as follows.

	As at 31 December	
	2022	2021
Revenue (% compound growth rate)	28.64%	27.83%
Research and development expenses (% compound growth rate)	-10.66%	-9.71%
Pre-tax discount rate	24.46%	22.96%
Long-term average growth rate	0.00%	0.00%
Recoverable amount of operating segment (RMB'000)	298,140	802,577

Management has determined the values assigned to each of the above key assumptions as follows:

- Revenue compound growth rate is based on the business strategy and the management's expectation for the market development.
- Research and development expenses compound growth rate is based on management's expectation and the progress of clinical trials.
- The discount rates used are pre-tax and reflect specific risks relating to the operating segment. By reference to relevant accounting standards, the future cash flows used in value-in-use calculations to assess the goodwill impairment of a group of cash-generating units did not include income tax receipts or payments, and thus the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill (Continued)

There was sufficient headroom of approximately RMB86,143,000 with no impairment required for the years ended 31 December 2022. Therefore, a reasonably possible change in such key assumptions would not cause the carrying amount of the group of "CGUs" to exceed its recoverable amount.

The table below sets forth the breakeven point of such key assumptions for the forecast period as of 31 December 2022 and 2021 (estimates based on the operations for the periods indicated) used in goodwill impairment testing:

	Year ended 31 December			
	2022		2021	
	Key assumption	Breakeven point	Key assumption	Breakeven point
Revenue (% compound growth rate)	28.64%	28.00%	27.83%	23.40%
Research and development expenses (% compound growth rate)	-10.66%	-8.25%	-9.71%	8.51%
Pre-tax discount rate	24.46%	25.51%	22.96%	30.68%

As of 31 December 2022, if the revenue compound growth rate had been 0.64% lower, or the research and development expenses compound growth rate had been 2.41% higher, or the pre-tax discount rate had been 1.05% higher, the carrying amount of the group of CGUs would exceed its recoverable amount.

As of 31 December 2021, if the revenue compound growth rate had been 4.43% lower, or the research and development expenses compound growth rate had been 1.20% higher, or the pre-tax discount rate had been 7.72% higher, the carrying amount of the group of CGUs would exceed its recoverable amount.

No impairment was charged for the CGUs during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial Assets		
Financial assets at amortised cost		
Other receivables, deposits and prepayments (excluding prepayments and VAT input tax to be deducted)	35,325	40,955
Restricted bank deposits	–	2,000
Cash and bank balances	1,588,705	2,200,641
	1,624,030	2,243,596

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial Liabilities		
Financial liabilities at amortised cost		
Trade payables	132,158	129,666
Other payables and accruals (excluding accrued employee benefits and tax payable)	66,543	62,763
Amounts due to related parties (excluding contingent consideration)	–	733
Short-term borrowings	–	29,700
Lease liabilities	28,586	27,708
Financial liabilities at fair value		
Contingent consideration in amounts due to related parties (<i>Note 28(a)</i>)	2,592	8,327
	229,879	258,897

The Group's exposure to various risks associated with the financial instruments are discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Current assets		
Consumables	30,682	17,393
Raw materials	14,559	32,975
Work in progress	11,471	–
	56,712	50,368
Less: provisions for inventories	(9,308)	(715)
	47,404	49,653

(i) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2022 amounted to RMB40,412,000 (2021: RMB57,390,000). These were included in research expense and administrative expense.

19 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayment for inventories and clinical fee	44,030	85,998
Receivable from employees	31,905	36,048
VAT input tax to be deducted	15,748	70,521
Prepayment for equipment and software	4,292	5,711
Rental deposits	3,312	4,621
Others	3,016	5,751
	102,303	208,650
Less: non-current portion	(19,600)	(76,121)
Current portion	82,703	132,529

The carrying amounts of other receivables and deposits are mainly denominated in RMB and approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash on hand	414	414
Cash at banks		
– RMB	1,359,099	1,512,745
– HKD	3,638	328,972
– USD	225,549	358,510
– AUD	5	–
	1,588,291	2,200,227
Cash and bank balances (i)	1,588,705	2,200,641
Restricted bank deposits		
– RMB deposits	–	2,000

- (i) As at 31 December 2022, among the cash and bank balances, term deposits of RMB20,000,000 with initial terms of over three months but also with a choice of call were held by the Group. Considering these term deposits with a choice of call are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, the Group presented them as cash and bank balances.

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Nominal value of shares USD
Authorised ordinary shares		
As at 31 December 2022	1,000,000,000	20,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONTINUED)

	Number of shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Issued ordinary shares					
As at 1 January 2021	491,030,371	67	9,187,780	(6,813)	9,181,034
Shares exercised under employee option plan and RSU plan	7,117,526	1	109,329	1,703	111,033
Shares reacquired and held for employee share scheme	–	–	(11,977)	(88)	(12,065)
Shares issued and held for employee share scheme (Note 24)	3,630,184	–*	–	–*	–
Issuance of shares as consideration for the acquisition of business (Note 28(a))	695,455	–*	5,771	–	5,771
As at 31 December 2021	502,473,536	68	9,290,903	(5,198)	9,285,773
Shares exercised under employee option plan and RSU plan	3,673,698	1	89,234	–	89,235
Shares repurchased and cancelled (a)	(1,417,000)	–*	(5,134)	–	(5,134)
Issuance of shares as consideration for the acquisition of business (Note 28(a))	511,364	–*	782	–	782
As at 31 December 2022	505,241,598	69	9,375,785	(5,198)	9,370,656

* The balance stated above was less than RMB1,000.

(a) In 2022, 1,417,000 shares were repurchased by the Company and cancelled on 26 July 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TREASURY SHARES

	2022 RMB'000	2021 RMB'000
Shares held for employee share scheme	5,198	5,198
	2022 Shares	2021 Shares
Shares held for employee share scheme (a)	3,786,684	6,630,184

(a) In 2022, 2,843,500 shares were exercised under employee option plan and RSU plan.

23 OTHER RESERVES

	Other Reserves			
	Capital reserve RMB'000	Share-based payment reserve RMB'000	Other comprehensive loss RMB'000	Total RMB'000
At 1 January 2021	(1,703,265)	279,308	(2,488)	(1,426,445)
Other comprehensive loss	–	–	(465)	(465)
Share-based payment (Note 24)	–	123,694	–	123,694
Shares exercised under employee option plan and RSU plan	–	(106,608)	–	(106,608)
At 31 December 2021	(1,703,265)	296,394	(2,953)	(1,409,824)
At 1 January 2022	(1,703,265)	296,394	(2,953)	(1,409,824)
Other comprehensive loss	–	–	(1,389)	(1,389)
Share-based payment (Note 24)	–	48,238	–	48,238
Shares exercised under employee option plan and RSU plan	–	(89,229)	–	(89,229)
At 31 December 2022	(1,703,265)	255,403	(4,342)	(1,452,204)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS

(a) 2020 Employee Option Plan

Set out below are summaries of options granted:

	Category I	
	Exercise price per share	Number of options
As at 1 January 2021	USD0.0002	22,840,792
Exercised	USD0.0002	(5,786,053)
Forfeited	USD0.0002	(1,343,679)
As at 31 December 2021	USD0.0002	15,711,060
Vested and exercisable at 31 December 2021	USD0.0002	2,683,505
As at 1 January 2022	USD0.0002	15,711,060
Exercised	USD0.0002	(4,000,567)
Forfeited	USD0.0002	(1,310,446)
As at 31 December 2022	USD0.0002	10,400,047
Vested and exercisable at 31 December 2022	USD0.0002	3,717,137
	Category II	
	Exercise price per share	Number of options
As at 1 January 2021	USD2.0000	20,343,921
Exercised	USD2.0000	(3,221,795)
Forfeited	USD2.0000	(210,500)
As at 31 December 2021	USD2.0000	16,911,626
Vested and exercisable at 31 December 2021	USD2.0000	3,153,296
As at 1 January 2022	USD2.0000	16,911,626
Forfeited	USD2.0000	(3,218,915)
As at 31 December 2022	USD2.0000	13,692,711
Vested and exercisable at 31 December 2022	USD2.0000	6,808,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(a) 2020 Employee Option Plan (Continued)

	Category III (A)	
	Exercise price per share	Number of options
As at 1 January 2021	USD0.0002	1,917,864
Exercised	USD0.0002	(687,664)
As at 31 December 2021	USD0.0002	1,230,200
Vested and exercisable at 31 December 2021	USD0.0002	1,230,200
As at 1 January 2022	USD0.0002	1,230,200
Exercised	USD0.0002	(1,202,863)
As at 31 December 2022	USD0.0002	27,337
Vested and exercisable at 31 December 2022	USD0.0002	27,337
	Category III (B)	
	Exercise price per share	Number of options
As at 1 January 2021	USD2.0000	50,000
As at 31 December 2021	USD2.0000	50,000
Vested and exercisable at 31 December 2021	USD2.0000	50,000
As at 1 January 2022	USD2.0000	50,000
As at 31 December 2022	USD2.0000	50,000
Vested and exercisable at 31 December 2022	USD2.0000	50,000

The fair value of the options under Category I ranged from RMB6.3224 to RMB8.5361, the fair value of the options under Category II ranged from RMB1.5520 to RMB4.2642, and the fair value of the options under Category III ranged from RMB3.8199 to RMB6.3224.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(a) 2020 Employee Option Plan (Continued)

Share options outstanding as at 31 December 2022 had the following exercise prices:

	Exercise price per share	Share options as at 31 December 2022
Category I	USD0.0002	10,400,047
Category II	USD2.0000	13,692,711
Category III(A)	USD0.0002	27,337
Category III(B)	USD2.0000	50,000
Total		24,170,095

(b) Post-IPO Share Option Plan

On 18 September 2020, the board of directors of the Company approved Post-IPO Share Option Plan. Under the plan, the Company granted options to executive directors and key employees to award their previous contributions and to acquire their long-term service in future.

The share-based payment under the Post-IPO Share Option Plan is equity-settled share-based payments with exercise price of HKD17.08, HKD10.85 or HKD1.73. The Company entered into agreements with certain employees on 3 June 2021 ("Batch I"), 27 August 2021 ("Batch II") and 5 October 2022 ("Batch III"). Under these agreements, the options are vested based on service conditions. The service conditions are designed to acquire service from certain employees for a specified period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

Set out below are summaries of options and shares granted:

	Batch I	
	Exercise price per share	Number of options
As at 1 January 2021		–
Granted	HKD17.08	6,096,099
Forfeited	HKD17.08	(1,153,300)
As at 31 December 2021	HKD17.08	4,942,799
Vested and exercisable at 31 December 2021	HKD17.08	708,750
As at 1 January 2022	HKD17.08	4,942,799
Forfeited	HKD17.08	(1,997,299)
As at 31 December 2022	HKD17.08	2,945,500
Vested and exercisable at 31 December 2022	HKD17.08	953,375
	Batch II	
	Exercise price per share	Number of options
As at 1 January 2021		–
Granted	HKD10.85	3,016,000
Forfeited	HKD10.85	(487,000)
As at 31 December 2021	HKD10.85	2,529,000
Vested and exercisable at 31 December 2021	HKD10.85	7,500
As at 1 January 2022	HKD10.85	2,529,000
Forfeited	HKD10.85	(1,596,000)
As at 31 December 2022	HKD10.85	933,000
Vested and exercisable at 31 December 2022	HKD10.85	233,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Plan (Continued)

	Batch III Exercise price per share	Number of options
As at 1 January 2022		–
Granted	HKD1.73	2,251,500
As at 31 December 2022	HKD1.73	2,251,500
Vested and exercisable at 31 December 2022	HKD1.73	476,250

The fair value of the options under the Post-IPO Share Option Plan was ranging from RMB0.6329 to RMB6.9810.

Fair value of options granted

The fair value at grant date is independently determined using binomial option pricing model by an independent qualified valuer, the significant inputs were listed as below:

Post-IPO Share Option Plan	Batch I	Batch II	Batch III
Expected price volatility	51.95% to 52.08%	52.40% to 52.54%	53.42% to 53.51%
Expected option life (year)	10	10	10
Risk free interest rate	1.26% to 1.40%	1.09% to 1.20%	3.49% to 3.51%
Stop price of ordinary shares (HKD)	17.08	10.85	1.73

The volatility factor estimated was based on the historical daily share price volatility of the comparable companies for the period close to the expected time to exercise. The risk free interest rate was based to the market yield of government bond with similar issuing dates and maturity dates as of the respective grant dates.

(c) 2021 RSU Plan

On 3 June 2021, the board of directors of the Company approved 2021 restricted share unit plan (the "2021 RSU Plan"). Under the plan, the Company granted RSUs to employees to recruit, incentivize and retain key employees.

The share-based payment under the 2021 RSU Plan is equity-settled share-based payments with exercise price of nil. The Company entered into agreements with certain employees on 3 June 2021, 27 August 2021 and 5 October 2022. Under these agreements, the shares are vested based on service condition. The service condition is designed to acquire service from certain employees for a specified period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(c) 2021 RSU Plan (Continued)

Set out below are summaries of shares granted:

	2021 RSU Plan	
	Exercise price per share	Number of shares
As at 1 January 2021	–	–
Granted	–	5,116,249
Exercised	–	(356,037)
Forfeited	–	(819,812)
As at 31 December 2021	–	3,940,400
Vested and exercisable at 31 December 2021	–	–
As at 1 January 2022	–	3,940,400
Granted	–	1,145,300
Exercised	–	(1,256,950)
Forfeited	–	(1,194,600)
As at 31 December 2022	–	2,634,150
Vested and exercisable at 31 December 2022	–	–

The fair value of the RSUs under the 2021 RSU Plan granted on 5 October 2022 was RMB1.56 per share, based on the closing price on the date of grant.

No options and shares expired during the year covered by the above tables in Note 24(a), (b) and (c).

Weighted average remaining contractual life of options and shares outstanding covered by the above tables in Note 24(a), (b) and (c) as at 31 December 2022 was 7.63 years (2021: 8.42 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENTS (CONTINUED)

(d) Share subscription and purchase agreement

On 26 September 2019, the Company entered into a subscription agreement with ABS, Dr. Yue Liu and ABT. Pursuant to the subscription agreement, the Company shall allot and issue 8,181,819 new ordinary shares to ABS and 909,091 new ordinary shares to Dr. Yue Liu. After the shares consolidated on 3 September 2020, the number of the above new ordinary shares changed to 4,090,910 and 454,546 for ABS and Dr. Yue Liu, respectively.

Out of 4,090,910 ordinary shares to be issued to ABS, 2,045,455 shares would be evenly issued on each anniversary of the closing of subscription agreement ("Closing") through the fourth anniversary of the Closing, and 2,045,455 shares would be issued based on the level of achievement of ABT's completion of milestones with respect to certain research and development programs.

Out of 454,546 ordinary shares to be issued to Dr. Yue Liu, 227,273 shares would be evenly issued on each anniversary of the Closing through the fourth anniversary of the Closing ("ABT Batch I"), and 227,273 shares would be issued based on the level of achievement of ABT's completion of milestones with respect to certain research and development program ("ABT Batch II").

On 17 October 2022, being the third anniversary of the Closing, the Company issued 511,364 shares and 56,818 shares to ABS and Dr. Yue Liu, respectively.

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised for the years ended 31 December 2022 and 2021 as part of employee benefit expenses were as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Employee option plan		
– Equity-settled share-based payment	47,527	122,983
– Cash-settled share-based payment	–	10,579
Share-based payment to Dr. Yue Liu	711	711
	48,238	134,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TRADE PAYABLES

The aging analysis, based on invoice date, of trade payables as at the consolidated balance sheet date were as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	130,964	127,594
1-2 years	397	1,772
2-3 years	797	300
	132,158	129,666

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to short-term maturities.

26 CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract liabilities	4,893	5,648
Less: non-current portion	–	–
Current portion	4,893	5,648

The Group classifies these contract liabilities as current because the Group expects to realize them in their normal operating cycle, which are expected within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CONTRACT LIABILITIES (CONTINUED)

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue recognised relating to carried-forward contract liabilities	755	–

Transaction price allocated to the unsatisfied performance obligations.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Aggregate amount of transaction price allocated to FFS contracts that are partially or fully unsatisfied	12,104	12,859

The above remaining performance obligation expected to be recognized mainly related to the contract of service. Management expects that the amount of RMB10,377,000 of the transaction to unsatisfied obligations as of 31 December 2022 will be recognized as revenue within next one year (2021: RMB10,377,000). The remaining will be recognized in more than one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Accrued employee benefits	40,863	58,662
Payables to project funding (a)	38,012	37,423
Payables to suppliers of services and fixed assets	24,607	19,755
Tax payable	2,237	3,505
Others	3,924	5,585
	109,643	124,930

- (a) Genor Biopharma entered into two agreements with National Health Commission (the "NHC") of the PRC in relation to two major new drug development projects in previous years. Due to the assessment of the given conditions of the two agreements, the total amount of RMB38,012,200 is expected to be settled in the coming twelve months.

The carrying amounts of accruals, other payables and provisions are mainly denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

28 BALANCES WITH RELATED PARTIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Amounts due to related parties		
Trade in nature		
ABS	–	733
Non-trade in nature		
ABS (a)	2,592	8,327
Total	2,592	9,060
Less: non-current portion	(1,232)	(5,004)
Current portion	1,360	4,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BALANCES WITH RELATED PARTIES (CONTINUED)

- (a) The amounts due to ABS is attributable to the contingent consideration for the acquisition of business. The fair value of contingent consideration was approximately RMB37,574,000 at the acquisition date. On 17 October 2022, along with certain milestone achievements, RMB782,000 was settled by issuing the Company's ordinary shares to ABS. As at 31 December 2022, the fair value of contingent consideration was approximately RMB2,592,000, and the fair value changes amounting to RMB4,953,000 are recognised in "other income – net" in the consolidated statement of profit or loss and other comprehensive income. The amounts will be payable to ABS upon reaching certain milestone achievements in relation to development progress, regulatory approval and license out arrangements.

29 DEFERRED INCOME TAX

(a) Deferred income tax assets

	As at 31 December	
	2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Tax losses of ABT	6,913	5,732
Movements		
		Tax losses RMB'000
At 1 January 2021		5,643
Credited to the profit or loss		89
At 31 December 2021		5,732
At 1 January 2022		5,732
Credited to the profit or loss		1,181
At 31 December 2022		6,913

As at 31 December 2022, ABT had net operating losses amounting to RMB23,167,000 (2021: RMB19,207,000). Under federal tax regulations, the net operating losses can be carried forward and deductible for income tax purposes indefinitely. Under California state tax regulations, the net operating losses can generally be carried forward 20 years following the year of the loss incurred. Accordingly, the company recognised deferred tax assets amounting to RMB6,913,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax liabilities

	As at 31 December	
	2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Intangible assets	12,439	13,282
Movements		
		Intangible assets RMB'000
At 1 January 2021		14,125
Credited to the profit or loss		(843)
At 31 December 2021		13,282
At 1 January 2022		13,282
Credited to the profit or loss		(843)
At 31 December 2022		12,439

30 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NET CASH USED IN OPERATIONS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(732,420)	(866,306)
Adjustments for:		
– Share-based payment expenses	48,238	123,694
– Depreciation of property, plant and equipment	27,425	35,250
– Amortisation of right-of-use assets and intangible assets	26,252	25,495
– Provision for impairment of inventories and property, plants and equipment	9,882	4,158
– Losses on disposal of right-of-use assets	4,184	–
– Finance cost	2,856	2,362
– Losses on disposal of property, plants and equipment	2,456	208
– Foreign exchange (gains)/losses	(37,392)	68,212
– Interest income	(28,114)	(23,729)
– Net fair value gains on contingent consideration payable to ABS	(4,953)	(25,296)
– Gains from asset related government grants	(3,692)	(3,692)
– Gains from disposal of structured deposits	–	(16,510)
	(685,278)	(676,154)
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation):		
– Other receivables, deposits and prepayments	104,937	(16,309)
– Trade payables	2,492	37,934
– Contract cost	414	–
– Other payables, accruals and provisions	(23,620)	23,761
– Restricted bank deposits	2,000	–
– Inventories	(4,705)	(22,339)
– Contract liabilities	(755)	–
– Deferred income of reimbursement of future expenses	(473)	(62)
– Amounts due to related parties	(733)	(9,989)
– Amounts due from related parties	–	15,688
Net cash used in operations	(605,721)	(647,470)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NET CASH USED IN OPERATIONS (CONTINUED)

Net debt reconciliation is shown below :

	Lease liabilities RMB'000	Bank borrowings RMB'000	Total debts RMB'000
At 1 January 2021	31,059	–	31,059
Cash flows	(14,046)	29,700	15,654
Non-cash movements	10,695	–	10,695
At 31 December 2021	27,708	29,700	57,408
Cash flows	(21,491)	(29,700)	(51,191)
Non-cash movements	22,369	–	22,369
At 31 December 2022	28,586	–	28,586

32 CONTINGENCIES

As at 31 December 2022, there were no significant contingencies for the Group and the Company.

33 COMMITMENTS**(a) Capital commitments**

The following is the details of capital expenditure contracted for but not provided in the financial information.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	4,069	7,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 COMMITMENTS (CONTINUED)

(b) Operating lease commitments for short-term and low value leases

The Group has recognized right-of-use assets for these leases, except for short-term and low-value leases, see Note 15 for further information. The following is the details of operating lease commitments for short-term and low value leases.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Less than 1 year	670	80
Between 1 and 5 years	4	50
	674	130

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

The executive directors are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
ABS	Minority shareholder of ABT

The following significant transactions were carried out between the Group and its related parties for the years ended December 31, 2022 and 2021. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Purchase of rental services and utilities from – ABS	513	542
Purchase of research and development services from – ABS	1,530	16,529
	2,043	17,071

(b) Balances with related parties

Balances with related parties as at 31 December 2022 and 2021 were disclosed in Note 28.

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses and other benefits	27,247	37,329
Share-based payment expenses (i)	33,335	95,192
Pension, social security costs and housing benefits	1,443	1,772
	62,025	134,293

- (i) The share-based payment expenses were recognised based on the fair value at the grant date, see Note 24 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the years ended 31 December 2022 and 2021 were set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							
	Director's fees RMB'000	Salaries (i) RMB'000	Discretionary bonuses RMB'000	Share-based payment expenses (i) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended 31 December 2022							
<i>Name of directors</i>							
Dr. Guo Feng	-	4,500	1,500	24,813	-	1,364	32,177
Dr. Zhou Joe Xin Hua	-	728	-	-	-	2	730
Dr. Lyu Dong	-	-	-	-	-	-	-
Dr. Ni Lin	-	-	-	-	-	-	-
Mr. Chen Yu	-	-	-	-	-	-	-
Mr. Liu Yi	-	-	-	-	-	-	-
Mr. Zhou Honghao	420	-	-	-	-	-	420
Mr. Fung Edwin	420	-	-	-	-	-	420
Mr. Chen Wen	420	-	-	-	-	-	420
	1,260	5,228	1,500	24,813	-	1,366	34,167
For the year ended 31 December 2021							
<i>Name of directors</i>							
Mr. Yi Qingqing	-	-	-	-	-	-	-
Dr. Zhou Joe Xin Hua	-	3,013	728	-	-	8	3,749
Dr. Guo Feng	-	5,250	1,500	33,658	-	788	41,196
Dr. Lyu Dong	-	-	-	-	-	-	-
Mr. Chen Yu	-	-	-	-	-	-	-
Dr. Ni Lin	-	-	-	-	-	-	-
Dr. Li Ming	-	-	-	-	-	-	-
Mr. Zhou Honghao	420	-	-	-	-	-	420
Mr. Fung Edwin	420	-	-	-	-	-	420
Mr. Chen Wen	420	-	-	-	-	-	420
	1,260	8,263	2,228	33,658	-	796	46,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

- (i) The share-based payment expenses were recognised based on the fair value at the grant date, see Note 24 for further details.

The salaries paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.

Mr.Liu Yi was appointed as the director of the Company and Dr.Ni Lin was resigned on 29 July 2022.

Mr. Zhou Joe Xin Hua was resigned on 15 April 2022.

Dr. Lyu Dong was appointed as the director of the Company and Mr. Yi Qingqing was resigned on 2 November 2021.

Dr. Ni Lin was appointed as the director of the Company and Dr. Li Ming resigned on 23 April 2021.

In 2022, none of directors waived or agreed to waive any emoluments (2021: Nil). In addition, no emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2022 and 2021.

36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	<i>Notes</i>	As at 31 December	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Intangible assets		102,120	102,094
Investments in subsidiaries		1,420,950	2,976,596
Financial assets at fair value through profit or loss		12,785	32,408
Total non-current assets		1,535,855	3,111,098
Current assets			
Other receivables and prepayments		439	2,097
Cash and bank balances		496,018	965,475
Total current assets		496,457	967,572
Total assets		2,032,312	4,078,670
EQUITY			
Equity attributable to owners of the Company			
Share capital		69	68
Share premium		9,375,785	9,290,903
Treasury shares		(5,198)	(5,198)
Other reserves	(a)	(1,204,782)	(1,163,791)
Accumulated losses	(a)	(6,142,298)	(4,078,573)
Total equity		2,023,576	4,043,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
	Notes	
LIABILITIES		
Non-current liabilities		
Amounts due to related parties	1,232	5,004
Total non-current liabilities	1,232	5,004
Current liabilities		
Trade payables	–	16,531
Other payables and accruals	1,268	10
Amounts due to related parties	6,236	13,716
Total current liabilities	7,504	30,257
Total liabilities	8,736	35,261
Total equity and liabilities	2,032,312	4,078,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

(a) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2021	(1,180,877)	(2,207,055)
Loss for the year	–	(1,871,518)
Share based payment	123,694	–
Shares exercised under employee option plan and RSU plan	(106,608)	–
At 31 December 2021	(1,163,791)	(4,078,573)
At 1 January 2022	(1,163,791)	(4,078,573)
Loss for the year	–	(2,063,725)
Share based payment	48,238	–
Shares exercised under employee option plan and RSU plan	(89,229)	–
At 31 December 2022	(1,204,782)	(6,142,298)

STATEMENT OF INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2025, the Group's indebtedness was as follows:

Lease liabilities

As at 31 October 2025, the Group recorded current lease liabilities of RMB0.4 million.

As at the close of business on 31 October 2025, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, except as disclosed above, the Group did not have any outstanding mortgages, charges and other issued debt capital, bank overdrafts, loans, borrowings, debentures, loan capital and overdraft, debt securities, finance leases or hire purchase commitment, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. The Group confirms that there has not been any material change in its indebtedness position since 31 October 2025.

The following information set out in this Appendix does not form part of the Accountants' Report of the Target Group received from the Target's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this Circular, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with accountants' report set out in "APPENDIX I – Accountants' Report of the Target Group" and the published financial information of the Group set out in "Appendix II – Financial Information of the Group".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction to the unaudited pro forma financial information of the Enlarged Group

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to provide information on the Enlarged Group reflecting the completion of the Proposed Merger, on the basis of notes set out below.

Details of the Proposed Merger are set out in the section headed "Letter from the Board" contained in this Circular.

For preparation of the unaudited pro forma consolidated statement of financial position, it is assumed that the Proposed Merger had taken place on 30 June 2025. For preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma statement of cash flows, it is assumed that the Proposed Merger had taken place on 1 January 2025, representing the beginning of the period ended 30 June 2025.

The unaudited pro forma financial information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purpose only. Accordingly, as a result of the nature of the unaudited pro forma financial information, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Proposed Merger actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma consolidated statement of financial position has been prepared based on the consolidated statement of financial position of the Group at 30 June 2025, as extracted from the unaudited consolidated financial statements of the Group for the period ended 30 June 2025 and adjusted in accordance with the unaudited pro forma adjustments described in the notes thereto, as if the Proposed Merger had been completed on 30 June 2025.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows have been prepared based on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the period ended 30 June 2025, as extracted from the unaudited consolidated financial statements of the Group for the period ended 30 June 2025 and adjusted in accordance with the unaudited pro forma adjustments described in the notes thereto, as if the Proposed Merger had been completed on 1 January 2025, representing the beginning of the period ended 30 June 2025.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
2. Unaudited pro forma consolidated statement of financial position of the Enlarged Group

	The Group		Unaudited Pro Forma adjustments						The Enlarged Group
	As at								As at
	30 June								30 June
	2025								2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
NON-CURRENT ASSETS									
Property, plant and equipment	3,809	275,786	765						280,360
Prepayments, other receivables and other assets	21,514	168,321							189,835
Equity investment designated at fair value through other comprehensive income	83,844	–							83,844
Deferred tax assets	9,143	47,236					(85)		56,294
Right-of-use assets	724	63,454							64,178
Goodwill	17,819	112,055	50,563						180,437
Other intangible assets	150,839	2,951,185	30,075						3,132,099
Financial asset at fair value through profit or loss	–	50,000							50,000
Total non-current assets	287,692	3,668,037							4,037,047
CURRENT ASSETS									
Inventories	–	534,866							534,866
Trade receivables	–	137,475					(20,950)		116,525
Prepayments, other receivables and other assets	27,199	75,887					1,208		104,294
Amounts due from a related party	–	120							120
Due from the Controlling Shareholder	–	238,944			(238,944)				–
Pledged deposits	–	335,630							335,630
Cash and cash equivalents	1,009,907	778,462							1,788,369
Total current assets	1,037,106	2,101,384							2,879,804
Total assets	1,324,798	5,769,421							6,916,851

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group As at 30 June 2025		Unaudited Pro Forma adjustments					The Enlarged Group As at 30 June 2025
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000 (Note 7)	RMB'000
CURRENT								
LIABILITIES								
Trade payables	172,128	196,142					(20,135)	348,135
Other payables and accruals	26,176	317,395		42,889				386,460
Refund liabilities	–	26,331						26,331
Interest-bearing bank and other borrowings	–	1,888,436						1,888,436
Dividends payable	–	50,144						50,144
Tax payables	7,861	93,941						101,802
Deferred income	4,030	–	(4,030)					–
Lease liabilities	356	18,868						19,224
Total current liabilities	210,551	2,591,257						2,820,532
NET CURRENT								
ASSETS/ (LIABILITIES)	826,555	(489,873)						59,272
TOTAL ASSETS LESS								
CURRENT								
LIABILITIES	1,114,247	3,178,164						4,096,319
NON-CURRENT								
LIABILITIES								
Interest-bearing bank borrowings	–	530,720						530,720
Amounts due to related parties	482	–						482
Deferred income	4,335	–	(4,335)					–
Deferred tax liabilities	10,333	13,810	7,293					31,436
Lease liabilities	389	35,794						36,183
Other liabilities	–	42,906						42,906
Total non-current liabilities	15,539	623,230						641,727
Total liabilities	226,090	3,214,487						3,462,259

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group As at 30 June 2025		Unaudited Pro Forma adjustments				The Enlarged Group As at 30 June 2025	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000 (Note 7)	RMB'000
EQUITY								
Equity attributable to owners of the parent								
Share capital	71	72	(71)			24		96
Share premium	9,489,059	–	(9,489,059)					–
Treasury shares	(747)	–	747					–
Other reserves	(1,493,856)	1,617,167	2,676,183		(238,944)	(24)		2,560,526
(Accumulated losses)/retained earnings	(6,895,885)	937,695	6,895,885	(42,889)			308	895,114
	<u>1,098,642</u>	<u>2,554,934</u>						<u>3,455,736</u>
Non-controlling interests	<u>66</u>	<u>–</u>	<u>(1,210)</u>					<u>(1,144)</u>
Total equity	<u>1,098,708</u>	<u>2,554,934</u>						<u>3,454,592</u>
Total equity and liabilities	<u>1,324,798</u>	<u>5,769,421</u>						<u>6,916,851</u>

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

3. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group

	The Group		Unaudited Pro Forma adjustments						The Enlarged Group
	Period ended								Period ended
	30 June								30 June
	2025								2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
Revenue	32,245	1,135,542					(22,594)	1,145,193	
Cost of sales	–	(375,925)					21,489	(354,436)	
Gross profit	32,245	759,617						790,757	
Other income and gains	1,750	13,351	(1,751)					13,350	
Selling and distribution expenses	–	(236,758)						(236,758)	
Administrative expenses	(25,113)	(126,271)		(42,889)				(194,273)	
Research and development expenses	(74,559)	(72,713)	(711)				1,105	(146,878)	
Amortisation of distribution rights, medicine licenses and trademark	–	(37,000)						(37,000)	
(Reversal of impairment losses)/impairment losses on financial assets, net	(19)	(17)					393	357	
Other expenses	(13)	(29,076)						(29,089)	
Finance cost – net	15,702	(93,975)						(78,273)	
(LOSS)/PROFIT BEFORE TAX	(50,007)	177,158						82,193	
Income tax expense	(4,366)	(62,592)	146				(85)	(66,897)	
(LOSS)/PROFIT FOR THE PERIOD	(54,373)	114,566						15,296	

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group		Unaudited Pro Forma adjustments					The Enlarged Group
	Period ended							Period ended
	30 June							30 June
	2025							2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	
Attributable to:								
Owners of the parent	(54,266)	114,566						15,496
Non-controlling interests	(107)	–	(93)					(200)
	<u>(54,373)</u>	<u>114,566</u>						<u>15,296</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	(85)	699						614
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:	(85)	699						614
Exchange differences on translation from functional currency to presentation currency	–	(2,725)						(2,725)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group		Unaudited Pro Forma adjustments						The Enlarged Group
	Period ended								Period ended
	30 June								30 June
	2025								2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
Equity investment designated at fair value through other comprehensive income									
Changes in fair value	112	–							112
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	112	(2,725)							(2,613)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	27	(2,026)							(1,999)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(54,346)	112,540							13,297
Attributable to:									
Owners of the parent	(54,212)	112,540							13,524
Non-controlling interests	(134)	–	(93)						(227)
	(54,346)	112,540							13,297

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

4. Unaudited pro forma consolidated statement of cash flows of the Enlarged Group

	The Enlarged Group						
	Period ended						
	30 June						
	2025						
	Unaudited Pro Forma adjustments						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)
CASH FLOWS (USED							
IN)/FROM							
OPERATING							
ACTIVITIES							
(Loss)/profit before tax	(50,007)	177,158	(2,462)	(42,889)		393	82,193
Adjustments for:							
Finance costs	22	93,975					93,997
Interest income	(18,631)	(10,072)					(28,703)
Provision for	–	485					485
impairment of							
inventories,							
intangible assets,							
property, plants and							
equipment							
Depreciation of	1,098	15,543					16,641
property, plant and							
equipment							
Amortization of right-	3,574	102,868	711				107,153
of-use assets and							
intangible assets							
Equity-settled share-	(5,205)	32,832					27,627
based payment							
expenses							
Reversal of impairment	19	17				(393)	(357)
losses/(impairment							
losses) on financial							
assets, net							
Gains from asset	(1,991)	(70)	1,751				(310)
related government							
grants							
Exchange (gain)/loss	2,682	20,869					23,551

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group		Unaudited Pro Forma adjustments						The Enlarged Group
	Period ended								Period ended
	30 June								30 June
	2025								2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
Decrease in inventories	–	18,643							18,643
Decrease in trade receivables	–	182,089							182,089
Decrease in prepayments, other receivables and other assets	4,698	4,095							8,793
(Decrease)/increase in trade payables	17,717	(131,514)							(113,797)
(Decrease)/increase in other payables and accruals	446	(150,957)		42,889					(107,622)
Decrease in refund liabilities	–	(23,810)							(23,810)
Decrease in amounts due to related parties	101	–							101
Cash generated (used in)/from operations	(45,477)	332,151							286,674
Interest received	3,783	–							3,783
Government grant received	241	–							241
Tax paid	(3,537)	(37,059)							(40,596)
Net cash flows (used in)/from operating activities	(44,990)	295,092							250,102
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest received	–	5,830							5,830
Purchases of items of property, plant and equipment	–	(23,946)							(23,946)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group		Unaudited Pro Forma adjustments						The Enlarged Group
	Period ended								Period ended
	30 June								30 June
	2025								2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
Proceeds from disposal of items of property, plant and equipment	8	–							8
Purchase of other intangible assets	–	(241)							(241)
Placement of term deposits	(751,653)	–							(751,653)
Decrease in pledged deposits	–	60,110							60,110
Net cash flows from/(used in) investing activities	(751,645)	41,753							(709,892)
CASH FLOWS FROM FINANCING ACTIVITIES									
Repurchase of shares	1	–							1
New bank loans and other borrowings	–	1,142,748							1,142,748
Interest paid	(22)	(62,625)							(62,647)
Repayment of bank loans and other borrowings	–	(737,279)							(737,279)
Principal elements of lease payments	(166)	(11,491)							(11,657)
Net cash flows (used in)/from financing activities	(187)	331,353							331,166

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group		Unaudited Pro Forma adjustments						The Enlarged Group
	Period ended								Period ended
	30 June								30 June
	2025								2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)		
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(796,822)	668,198							(128,624)
Cash and cash equivalents at beginning of period	1,058,790	111,703							1,170,493
Effect of foreign exchange rate changes, net	(3,714)	(1,439)							(5,153)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	258,254	778,462							1,036,716
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS									
Cash and bank balances	1,009,907	778,462							1,788,369
Non-pledged time deposits with original maturity of more than three months when acquired	(751,653)	–							(751,653)
Cash and cash equivalents as stated in the statement of financial position	258,254	778,462							1,036,716
Cash and cash equivalents as stated in the statement of cash flows	258,254	778,462							1,036,716

5. Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

- (1) For the preparation of the unaudited pro forma financial information of the Enlarged Group, the amounts related to the Group are extracted from the unaudited consolidated statement of financial position of the Group at 30 June 2025, and the unaudited consolidated statement of profit or loss and other comprehensive income and the unaudited consolidated statement of cash flows of the Group for the period then ended, as extracted from the unaudited consolidated financial statements of the Group for the period ended 30 June 2025, where certain reclassification adjustments were made in order to conform with presentation of the accountants' report on the historical financial information of the Target Group as set out in Appendix I to this Circular.
- (2) For the preparation of the unaudited pro forma financial information of the Enlarged Group, the amounts related to the Target Group are extracted from the consolidated statement of financial position of the Target Group at 30 June 2025 as set out in Appendix I to this Circular, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Target Group for the period then ended, as extracted from the accountants' report on the historical financial information of the Target Group as set out in Appendix I to this Circular.

Taking into consideration of the pertinent facts and circumstances including the composition of the voting rights, the governing body, senior management and relative size (assets and revenue) under HKFRS 3 Business Combination for identifying the acquirer the Directors consider the Target is the acquirer and the Company is the acquiree for accounting purpose. Accordingly, the Directors determine to apply the principles of reverse acquisition in HKFRS 3 by analogy to the unaudited pro forma financial information. The consolidated financial statements prepared following a reverse acquisition represent a continuation of the financial statements of the legal subsidiary (accounting acquirer – the Target Group), the assets and liabilities of which are recognized and measured at their pre-merger carrying amounts. Therefore, there is no adjustment in connection with the fair value of identifiable assets and liabilities of the Target Group included in the unaudited pro forma financial information.

(3) This adjustment represents the Proposed Merger of the entire issued share capital of the Target:

(a) This adjustment is made assuming that:

- i. the outstanding balance of the loans (including the principal and all accrued interests) made by the Target Group to Mr. Ni, who is the controlling shareholder of the Target (the “Controlling Shareholder”), had been settled by deduction of the shares that would be issued to Mr. Ni;
- ii. as at 30 June 2025, the numbers of shares in issue of the Company and the Target, and the Company Fully-Diluted Shares and the Target Fully-Diluted Shares, were same as those upon completion of the Proposed Merger, and there were 63,410,180 Target Share Options granted and remained outstanding under the Target Share Option;
- iii. there was no Taxable Target Shareholders as defined in the merger agreement dated 13 September 2024 (the “Merger Agreement”);
- iv. the consideration for the Proposed Merger is satisfied by the Company issuing and allotting 1,583,679,007 consideration shares to the shareholder of the Target, and consequently, the shareholders of the Target would hold 75.09% equity interest in the Company on 30 June 2025.

(b) As stated in note 2 above, according to HKFRS 3 *Business Combinations*, the transaction should be accounted for as a reverse acquisition, and the Enlarged Group’s consolidated financial statements should be accounted for as a continuation of the Target Group (the legal acquiree), together with a deemed issue of 167,499,588 shares (approximately 33.17% of the total shares of the Target immediately before the completion of the Proposed Merger) to all the shareholders of the Company in exchange of the net assets of the Group to achieve the same shareholding percentage, 75.09%, as at the date of completion of the Proposed Merger. The aggregate issued number of shares of the Target as at 30 June 2025 was 505,015,679. With the 167,499,588 shares that would have had to issue, the then total number of shares of the Target would have been 672,515,267 and the shareholders of the Target would have held 75.09% (505,015,679/672,515,267) equity interest in the Enlarged Group, the same percentage as the result of completion of the Proposed Merger.

The goodwill arising from the Proposed Merger is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
Total consideration		
Consideration effectively transferred by the Target	<i>i</i>	1,159,211
Fair value of the share-based payment awards of the Company that form part of the cost of the business combination	<i>ii</i>	<u>23,116</u>
Total consideration	A	<u>1,182,327</u>
Identifiable assets and liabilities of the Group		
Non-current assets	<i>iii</i>	300,713
Current assets		1,037,106
Current liabilities	<i>iii</i>	(206,521)
Non-current liabilities	<i>iii</i>	<u>(18,497)</u>
		1,112,801
Non-controlling interests	<i>iii</i>	<u>1,144</u>
Net identifiable assets attributable to the parent of the Group	B	<u>1,113,945</u>
Goodwill	<i>iii</i> A-B	<u><u>68,382</u></u>

- i. For the purpose of this unaudited pro forma financial information, the fair value of the deemed issued shares is assumed to be RMB1,159,211,000, representing the market capitalization of the Company as at 30 June 2025.
- ii. According to the requirement of HKFRS 3, if the acquirer is obliged to replace the acquiree awards, either all or a portion of the fair value of the acquirer's replacement awards forms part of the consideration transferred in the business combination. This approach would equally apply in a reverse acquisition by the accounting acquirer, absent any legal modification to the terms of the accounting acquiree's awards; it is as if the accounting acquiree's awards have been exchanged for a share-based payment award of the accounting acquirer. The fair value of accounting acquiree's share-based payment awards at the Merger Closing is apportioned between the cost of the business combination and remuneration cost in the post-combination financial statements. The accounting acquirer assumes that the cost for services received in vesting periods is recognized on straight-line basis when estimating the cost of the business combination. For the purpose of preparation of the pro forma financial information, the fair value of the Company's total equity used in the valuation of the share-based payment award had been assumed to be the market capitalization of the Company as at 30 June 2025.
- iii. The difference between the non-current assets recorded by the Group as at 30 June 2025 and the fair value of non-current assets mainly represents the fair value adjustment of other

intangible assets and property, plant and equipment of the Group, and the goodwill recorded by the Group as at 30 June 2025 which is not considered as identifiable assets. Deferred tax liabilities had been recognized on the fair value adjustment accordingly. The deferred income recorded by the Group as at 30 June 2025 rises from government grants. As the deferred income from government grants does not represent a present obligation requiring future outflow of resources, it is not considered as identifiable liabilities.

The fair value adjustment is expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.

The fair value of net assets acquired is subject to changes upon completion of the Proposed Merger because in accordance with HKFRS 3, the fair value of all identifiable assets and liabilities of the accounting acquiree shall be assessed on the date of completion, and the consideration of the Proposed Merger shall be subject to changes based on the fair value of the Target Group on the date of completion. Accordingly, the goodwill may be materially different from the calculation above.

When making adjustments in respect to the goodwill of the Enlarged Group, the goodwill of the Group amounted to RMB17,819,000 as at 30 June 2025 had been excluded as it is not considered as identifiable assets according to relevant accounting standards. The goodwill arising from the deemed acquisition of the Group by the Target Group was determined as RMB68,382,000 as calculated above, and the difference between these two amounts of RMB50,563,000 was stated as adjustment in the Unaudited Pro Forma adjustments.

- (c) The adjustment to the unaudited pro forma consolidated statement of financial position of the Enlarged Group represents i) the appreciation in fair value of the Group's identified property, plant, and equipment and other intangible assets, which amounted to approximately RMB765,000 and RMB30,075,000, respectively, as of 30 June 2025. Accordingly, the corresponding deferred tax liabilities and non-controlling interests with fair values of approximately RMB7,293,000 and RMB1,210,000, respectively, have been recognized. ii) the deferred income of the Group amounted to RMB4,030,000 in current liabilities and RMB4,335,000 in non-current liabilities as at 30 June 2025 had been excluded as it is not considered as identifiable liabilities according to relevant accounting standards.

The adjustment to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group represents i) the additional amortization of other intangible assets amounted to RMB711,000 for the six months ended 30 June 2025 in respect of the appreciation in fair value of the other intangible assets of the Group, ii) the deferred tax income in respect of the fair value adjustment amounted to RMB146,000, iii) the resulting impact on the amount shared by non-controlling interests amounting to RMB93,000 and iv) the reduction of other income and gains amounted to RMB1,751,000 for the six months ended 30 June 2025, resulting from the derecognition of the deferred income of the Group.

The equity of the Group would be eliminated upon the Merger Closing when preparing the consolidated financial statements of the Enlarged Group.

- (4) This adjustment represents the estimated professional fees and expenses of RMB42,889,000 to be additionally incurred by the Group or the Target Group relating to the Proposed Merger as if they had been taken place on 30 June 2025.

This adjustment is not expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

- (5) This adjustment represents the settlement of the loans made by the Target Group to Mr. Ni, as stated in note (3)(a)i above.
- (6) This adjustment represents the adjustment in share capital in respect to the deemed issued shares of the Target, as stated in note (3)(b) above. As stated in note(3)(b) above, the total number of shares of the Target would have been 672,515,267 at USD0.00002 per share as of 30 June 2025, thus the share capital of the Enlarged Group would have been USD13,450 (672,515,267*0.00002), equivalent to RMB96,000 upon the Merger Closing.
- (7) The adjustment represents the elimination of the balances, transactions and cash flows between the Group and the Target Group as of 30 June 2025 and for the period ended 30 June 2025.
- (8) Unaudited pro forma statement of adjusted net tangible assets of the Enlarged Group

			Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share as at 30 June 2025 RMB Note (d)
	Net tangible assets of the Group as at 30 June 2025 RMB'000 Note (a)	Net tangible assets of the Group per share as at 30 June 2025 RMB Note (b)	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group as at 30 June 2025 RMB'000 Note (c)
Consolidated net tangible assets	929,984	1.77	143,200

- (a) The consolidated net tangible assets of the Group as at 30 June 2025 is based on the amount of consolidated net tangible assets attributable to the owners of the Company as at 30 June 2025, which is extracted from the interim report of the Group after excluding (i) goodwill of approximately RMB17,819,000; and (ii) other intangible assets of approximately RMB150,839,000.
- (b) The number of shares used for the calculation of net tangible assets of the Group per share is 525,262,071, being the number of ordinary shares of the Company in issue as of 30 June 2025.
- (c) The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group are calculated on the basis of the amount of the unaudited pro forma adjusted consolidated net assets attributable to the owners of the Enlarged Group as at 30 June 2025, which is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group after excluding (i) goodwill of approximately RMB180,437,000; and (ii) other intangible assets of approximately RMB3,132,099,000.
- (d) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group after completion of the Proposed Merger are based on 2,108,941,078 which represents:
 - (i) 525,262,071 issued shares as at 30 June 2025;
 - (ii) 1,583,679,007 shares to be issued upon completion of the Proposed Merger as at 30 June 2025. To be specific, the calculation of 1,583,679,007 Shares is arrived at as below:

As at 30 June 2025, 1,583,679,007 consideration shares were considered to have been issued by the Company, which was calculated as the product of the number of Target Shares issued based on the assumption that no Target Share Options would be exercised and the exchange ratio, minus the reduction of Shares, based on share/option information of the Target and the Company as at 30 June 2025. The exchange ratio is derived by calculating the respective per-share equity values of the Target and the Company based on their fully diluted share capital and then dividing the former by the latter. The reduction of Shares is resulted by the assumption that half of the outstanding receivable balance due from the Controlling Shareholder would be settled in the shares to have been issued to the Controlling Shareholder by the Company. The number of the reduction of Shares is half of the outstanding receivable balance due from the Controlling Shareholder divided by the per-share value of the Company.

- (9) When preparing the unaudited pro forma financial information of the Enlarged Group, the exchange rates used were those as at 30 June 2025.
- (10) According to the Merger Agreement, at the Merger Effective Time, each Target Share Option can be assumed by and replaced with a comparable option of the Company which preserves the compensation element of such Target Share Option existing immediately prior to the Merger Effective Time in accordance with the same (or more favorable) exercise schedule to such Target Share Option. The unaudited pro forma financial information of the Enlarged Group did not take this into consideration because (a) the Directors were of the view that such replacement of share options was not directly related to the Proposed Merger and (b) the terms of the new option had not been finalized and subject to change and approval.

**(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's unaudited pro forma financial information for the purpose in this Circular.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Genor Biopharma Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Genor Biopharma Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Edding Group Company Limited and its subsidiaries (collectively referred to as the "Target Group") (the Group together with the Target Group are collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2025, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the period ended 30 June 2025, and related notes as set out on pages III-1 to III-18 of the circular dated 5 December 2025 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed merger of the entire issued share capital of Edding Group Company Limited (the "Proposed Merger") on the Group's financial position as at 30 June 2025 and the Group's financial performance and cash flows for the period then ended as if the Proposed Merger had taken place at 30 June 2025 and 1 January 2025, respectively. As part of this process, information about the Group's financial position as at 30 June 2025 and the information about the Group's financial performance and cash flows for the period ended 30 June 2025 have been extracted by the Directors from the Group's unaudited consolidated financial statements for the period ended 30 June 2025.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited 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 Unaudited 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 Unaudited 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 Unaudited 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Merger 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 Unaudited 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 Unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited 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 Unaudited 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 Unaudited 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountant
Hong Kong

5 December 2025

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on 27 June 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix IV in the section headed “Documents on display”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 27 June 2024 and include provisions to the following effect:

2.1 Directors*(a) Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

The Articles of Association of the Company provides, inter alia, that payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

The Articles of Association of the Company provides, inter alia, that except as would be permitted by the Companies Ordinance if the Company were a company incorporated in Hong Kong, and except as permitted under the Companies Act, the Company shall not directly or indirectly:

- (i) make a loan to a Director or his close associates or a director of any holding company of the Company or a body corporate controlled by such a director or Director;
- (ii) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or such a director or a body corporate controlled by such a director or Director; or
- (iii) if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(e) Financial assistance to purchase Shares

The Articles of Association of the Company provides, inter alia, that subject to the Companies Act, or any other law or so far as not prohibited by any law or the Listing Rules and subject to any rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire any of its own shares, and shares and warrants for the subscription or purchase of any shares in any company which is its holding company, and may make payment therefor in any manner authorised or not prohibited by law, including out of capital, or to give, directly or indirectly, by means of a loan, a guarantee, a gift, an indemnity, the provision of security or otherwise howsoever, financial assistance, provided always that any such purchase or other acquisition or financial assistance shall only be made in accordance with any relevant code, rules or regulations issued by the Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Company in general meeting or the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind;
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director);

- (vi) the Director is removed from office by an ordinary resolution; or
- (vii) the Director ceases to be or is prohibited from being a Director by law or by virtue of any provisions in the Articles of Association of the Company.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member’s behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months from the date of deposit of the requisition. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to

be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down

or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than 48 hours before the time appointed for the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 October 2017 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from 10 August 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on Display" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

The following is the full text of the valuation report prepared by Quam Capital Limited in connection with its valuation of the Target Group as of 30 November 2025 for the purpose of incorporation in this circular.



5 December 2025

To the Directors

Edding Group Company Limited

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

Dear Sirs or Madam,

**VALUATION OF 100% EQUITY INTEREST
IN EDDING GROUP COMPANY LIMITED AND ITS SUBSIDIARIES**

As per your instructions, we have carried out a valuation on behalf of Edding Group Company Limited (the “**Target Company**”) to determine the fair value of 100% equity interest in the Target Company and its subsidiaries (together referred to as the “**Target Group**”) as of 30 November 2025 (the “**Valuation Date**”) in connection with the proposed merger involving the Target Company as set out in the circular of Genor Biopharma Holdings Limited dated 5 December 2025 (the “**Circular**”).

Capitalised terms used in this report shall have the same meanings as defined in the Circular unless the context requires otherwise. The valuation and findings in this report will only be applied to the aforementioned purpose.

1. BASIS OF VALUATION

We conducted our valuation research using a fair value basis, which is defined by the Hong Kong Financial Reporting Standard as “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 (i.e. an exit price)”.

Our valuation was conducted in compliance with Rule 11 of the Takeovers Code and the International Valuation Standards issued by the International Valuation Standards Council. We carried out our valuation after gathering all the information relating to the Target Group that we considered necessary to give us sufficient evidence to support our opinions. The valuation report contains all of the information necessary to properly comprehend the valuation. Our valuation report’s opinion on value is impartial, independent, and unbiased. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

2. SOURCES OF INFORMATION

To perform our valuation of the fair value of 100% equity interest in the Target Group, we have considered, among other things:

- the Circular;
- the audited financial information of the Target Group for the years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2025;
- publicly available information of comparable companies;
- financial information obtained from Bloomberg Terminal™; and
- other publicly available information relating to the valuation.

We have relied to a considerable extent on information provided by the management of the Target Company (the “**Management**”) in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In the implementation of the valuation, we adhere to the principles of independence, objectivity and fairness. According to the information we collected during the course of valuation, the contents of the valuation report are objective. The evaluation conclusion should not be regarded as any guarantee for the valuation object’s achievable price.

3. BACKGROUND OF THE TARGET GROUP

The Target Group is an integrated specialty biopharmaceutical company. Through acquisition of branded drug assets from MNCs and licensing in development and commercialisation rights of innovative patented drugs from global biopharmaceutical companies, the Target Group has established a competitive portfolio of originator-branded drugs and innovative drugs with market potential. In over 20 years of operations, the Target Group has successfully brought multiple innovative drugs to market in China, reflecting its strong clinical development and management capabilities. Moreover, the Target Group has demonstrated high-quality manufacturing, supply chain management, technology transfer and quality control systems through operating the production facilities and management systems transferred from MNCs in its historical asset acquisitions.

According to the accountants' report of the Target Group contained in the Circular, the key financial information of the Target Group for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 are set out below:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	2,073,754	2,303,788	2,546,044	1,373,322	1,135,542
Profit for the year/period	306,345	308,019	387,886	272,013	114,566

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Total assets	5,061,480	5,145,108	5,440,031	5,769,421
Total liabilities	3,148,973	3,180,233	3,030,469	3,214,487
Net assets	1,912,507	1,964,875	2,409,562	2,554,934

4. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the fair value of 100% equity interest in the Target Group, namely the market approach, the income approach and the asset based approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together.

4.1. Market approach

The market approach values a business entity by comparing prices at which other business entities of a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The market approach comprises two methods, namely the guideline public company method and the guideline transaction method.

The guideline public company method focuses on analysing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the subject company. Finally, appropriate valuation multiples are applied to the subject company's normalised financial data to arrive at an indication of the value of the subject company.

The guideline transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the guideline transaction method is utilised, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the subject company being valued. The application of the guideline transaction method results in an estimate of the price reasonably expected to be realised from the sale of the subject company.

4.2. Income approach

The income approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

Alternatively, this present value can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

4.3. Asset based approach

The asset based approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and is equal to the value of its invested capital. In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed. This money comes from investors who buy stocks of the business entity and investors who lend money to the business entity. After collecting the total amounts of money from equity and debt and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

4.4. Selection of valuation methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that the market approach is the optimal approach and therefore adopted for this valuation. We consider that asset based approach is not considered applicable to the valuation of the Target Group as it does not capture future earning potential of the business. Also, we consider that income approach is inappropriate as it requires detailed financial forecast of the Target Group, which involves adoption of much more subjective assumptions than the other two approaches, not all of which can be easily quantified or ascertained.

Under the market approach, since there are sufficient public companies in similar nature and business to that of the Target Group, we consider that the guideline public company method is appropriate for valuing 100% equity interest in the Target Group and therefore adopted in this valuation.

5. MAJOR ASSUMPTIONS

In determining the fair value of 100% equity interest in the Target Group, the following principal assumptions have been adopted:

- the information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operate or intend to operate would be officially obtained and renewable upon expiry;
- there will be no major changes in the political, legal, economic, or financial conditions in the localities in which the Target Company operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;
- there will be no major change in the current taxation laws in the localities in which the Target Company operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing;
- the core business operation of the Target Company will not differ materially from those of present or expected; and
- the information regarding the Target Company provided by the Management is true and accurate.

6. MARKET APPROACH

6.1. Selection criteria for comparable companies

In the valuation, we have identified an exhaustive list of five comparable companies (the “**Comparable Companies**”) based on the following criteria:

- they engage in similar principal business as the Target Company, being biopharmaceutical business;
- they mainly operates in Chinese mainland;
- they have positive earnings as at the Valuation Date; and
- they are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with financial information publicly available.

6.2. Selection of valuation multiples

In this valuation exercise, we have considered various commonly used value multiples, including (i) price-to-earnings (“**P/E**”); (ii) price-to-sales (“**P/S**”); and (iii) price-to-book (“**P/B**”) multiples. P/S multiple is commonly used in the valuation of start-up enterprises and it ignores the cost structure of a company and the profitability of a company, and therefore, we consider that P/S multiple is not applicable to this valuation exercise. P/B multiple is usually adopted in the valuation of asset-intensive companies but it also does not take into consideration of the profitability of a company. Therefore, P/B multiple is not adopted neither. We consider P/E multiple as an appropriate multiple and therefore has been adopted in this valuation given that P/E multiple is suitable for valuation of profit-making business and earnings is one of the most direct drivers of equity value.

The P/E multiples of the Comparable Companies were arrived at based on the market capitalisation and latest 12 months earnings attributable to shareholders available as at the Valuation Date. Details of the Comparable Companies are as follows:

Company name	Stock code	Business description	P/E multiple
CSPC Pharmaceutical Group Ltd.	1093 HK	CSPC Pharmaceutical Group Ltd. is an innovation-driven pharmaceutical enterprise in China integrating R&D, manufacture and sale capabilities, involving therapeutic areas like oncology, anti-infectives, psychiatry and neurology, cardiovascular, and respiratory system.	21.9

Company name	Stock code	Business description	P/E multiple
Sino Biopharmaceutical Limited	1177 HK	Sino Biopharmaceutical Limited is an innovative R&D-driven pharmaceutical company in China, with an integrated industrial chain covering R&D, production and sales of biopharmaceutical and chemical medicines in therapeutic areas such as oncology, liver diseases, respiratory diseases and surgery/analgesia.	31.7
Hansoh Pharmaceutical Group Company Ltd.	3692 HK	Hansoh Pharmaceutical Group Company Ltd. is an innovation-driven pharmaceutical enterprise in China, principally engaged in the R&D, production and sales of pharmaceutical products, focusing on therapeutic areas such as oncology, anti-infectives, CNS, metabolism and autoimmunity.	47.2
China Medical System Holdings Ltd	867 HK	China Medical System Holdings Ltd. is a platform company linking pharmaceutical innovation and commercialization, focusing on R&D, production, promotion, and sale of medicines, with a strategic focus on deploying and developing global innovative products.	18.1
Luye Pharma Group Ltd.	2186 HK	Luye Pharma Group Ltd. focuses on developing, producing, marketing and selling innovative pharmaceutical products with an extensive sales network in China and global partnerships, focusing on therapeutic areas like oncology, central nervous system, cardiovascular system, alimentary tract and metabolism.	28.7
Average			29.5
Median			28.7

6.3. Discount for lack of marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In the valuation, we consider 15.6% is sufficient to reflect the lack of marketability of the 100% equity interests in the Target Group, which was with reference to the 2024 Stout Restricted Stock Study. The 2024 Stout Restricted Stock Study is a widely used and authoritative empirical database that supports valuation professionals in determining marketability discount. It includes examining 779 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through March 2024 and the overall median discount for all 779 transactions in the study is 15.6%.

6.4. Control premium (“CP”)

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest of a business enterprise that reflects the power of a control. Both factors recognise that controlling owners have rights that minority owners do not have and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a controlling ownership block versus a minority ownership block. In the valuation, given that the Comparable Companies are publicly listed, their share prices and P/E multiples do not reflect a controlling interest. Therefore, we have adopted a control premium of 26.8%, which was with reference to the control premium studies for the trailing 12 months ended 30 September 2025 in the “Control Premium & Discount for Lack of Marketability Study” published by Moore Hong Kong in November 2025. This study analysed the circulars published by listed companies on the Stock Exchange during the trailing 12 months ended 30 September 2025 and the median of control premium adopted by the valuers is 26.8%.

6.5. Fair value calculation

The fair value of the 100% equity interests in the Target Group as of the Valuation Date was arrived at by applying the median P/E multiples of the Comparable Companies (“**Median P/E**”) to the profit attributable to owners of the parent of the Target Company for the trailing 12 months ended 30 June 2025 (“**Target Company’s Earnings**”) based on the accountants’ report of the Target Group, and adjusted with CP and DLOM. Details are listed below:

Fair value of the 100% equity interests in the Target Group = Median P/E x Target Company’s Earnings x (1-DLOM) x (1+ CP), where:

Median P/E of the Comparable Companies	28.7
Target Company’s Earnings	RMB230,439,000
DLOM	15.6%
CP	26.8%
Fair value of the Target Company (in RMB)	RMB7,077,821,000
Fair value of the Target Company (in US\$) (Rounded)^(Note)	US\$1,000,000,000

Note: An exchange rate of US\$1.00: RMB7.08 has been adopted.

7. LIMITING CONDITIONS

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability is assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided and nothing has come to our attention in this regard. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. However, nothing has come to our attention that the assumptions adopted may not be valid.

Neither the whole nor any part of this report or any reference hereto may be included in any other published document, circular or statement, or published in any other way, without our prior written approval of the form and context in which it may appear.

Finally and in accordance with our standard practice, we must state that this report and valuations are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of the contents.

8. REMARKS

We hereby confirm that we have neither present nor prospective interests in the Target Company.

9. OPINION OF VALUE

Valuation Date	30 November 2025
Fair value of 100% equity interest in the Target Group	US\$1,000,000,000

Yours faithfully,
For and on behalf of
Quam Capital Limited
Leo Chan
Head of Corporate Finance

Note: Mr. Leo Chan is the Head of Corporate Finance of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 29 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group, the Target Group and Mr. Ni.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Target Group, Mr. Ni and parties acting in concert with Mr. Ni) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Target Directors and Mr. Ni) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The Target Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group, Mr. Ni and parties acting in concert with Mr. Ni) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors and Mr. Ni) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Ni accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group and the Target Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors and the Target Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. FURTHER INFORMATION ON THE GROUP

2.1 Incorporation of the Company

The Company was incorporated in the Cayman Islands on 10 April 2017 as an exempted company with limited liability and its registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. The Company is also registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 September 2020 with the Registrar of Companies in Hong Kong. Mr. Yu Tieming (a non-executive Director) and Mr. Ip Tak Wai (the Company Secretary) are the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

As the Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution comprises the Memorandum of Association and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix IV to this circular.

2.2 Changes in the share capital in the Company

As at 1 January 2022, the total number of issued Shares was 502,473,536 Shares. As at the Latest Practicable Date, the total number of issued Shares was 528,291,792 Shares. The change in the total number of issued Shares during such period was due to (i) the issue and allotment of Shares resulting from the vesting of RSUs and exercise of share options pursuant to the relevant grant agreements pertaining to the Pre-Existing Company Share Schemes, (ii) the issue and allotment of Shares pursuant to the ABT Subscription and Stock Purchase Agreement, and (iii) the on-market Share repurchases by the Company. For details of the new Shares allotted and issued and the on-market Share repurchases, please refer to the next day disclosure returns and monthly returns of the Company during such period, the annual report of the Company for the years ended 31 December 2022, 2023 and 2024.

Save as disclosed above, there was no alteration in the share capital of the Company within two years immediately preceding the Latest Practicable Date.

On 30 May 2024, the registered capital of Genor Biopharma Co., Ltd. was decreased from RMB831,338,351 to RMB31,338,351.

Save as disclosed above, there was no alteration in the share capital of any subsidiary of the Group within two years immediately preceding the Latest Practicable Date.

2.3 Resolutions to be passed by the Shareholders

Resolutions in relation to the Proposed Merger, the Whitewash Waiver, the Specific Mandate, the Proposed Change of Company Name, the proposed increase in authorised share capital of the Company, the Retention Plan and the proposed adoption of the One-off Share Option Plan will be proposed at the EGM for the Shareholders' approval. For details, please refer to the section headed "Letter from the Board" and the section headed "9. Share Schemes – 9.3 One-Off Share Option Plan" in this Appendix.

3. FURTHER INFORMATION ON THE TARGET GROUP

3.1. Changes in share capital of the members of the Target Group

On 18 April 2024, the registered capital of Maxi Vantage (Suzhou) Co., Ltd. (蘇州工業園區峰酷醫藥有限公司) was increased from US\$5,000,000 to US\$46,000,000.

On 14 August 2024, Eddingpharm (Hong Kong) Holding Limited was established as a limited company in Hong Kong with a share capital of HK\$10,000.

On 3 September 2024, Edding Holding Limited was established as a limited company in Macau with a share capital of MOP25,000.

On 15 October 2024, Eddingpharm (Zhuhai) Co., Ltd. (億騰醫藥(珠海)有限公司) was established as a limited liability company in the PRC with the registered capital of RMB50,000,000.

On 5 February 2025, Eddingpharm (U.S.) Inc. was incorporated under the laws of the State of Delaware of U.S. with a share capital of US\$5,000.

Save as disclosed above and in the section headed "History, Development and Corporate Structure of the Target Group" in this circular, there has been no alteration in the share capital or registered capital of any member of the Target Group within the two years immediately preceding the date of this circular.

4. INTELLECTUAL PROPERTY OF THE GROUP

4.1 Patents

As at the Latest Practicable Date, the Group owned the following registered patents which the Group considered to be or may be material to its business:

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date	Expiry Date
1	Invention	Breast Cancer Immunodeficient Animal Model And Preparation Method Thereof	PRC	CN200710045603.3	Genor Biopharma Co., Ltd., Shanghai Zerun Biotech Co., Ltd.	05/09/2007	05/09/2027
2	Invention	TNFR-Fc Fusion Protein And Uses Thereof	PRC	CN200810207231.4	Genor Biopharma Co., Ltd.	18/12/2008	18/12/2028
3	Invention	A Magnetic Beads-Based Method For Extracting Residual DNA From Recombinant Protein Products	PRC	CN201110302887.6	Genor Biopharma Co., Ltd.	09/10/2011	09/10/2031
4	Invention	A Method For Detecting Binding Activity Of Anti-CD20 Monoclonal Antibodies	PRC	CN201110302889.5	Genor Biopharma Co., Ltd.	09/10/2011	09/10/2031
5	Invention	A Method For Purifying Anti-HER2 Or/And Anti-HER3 Antibody Proteins	PRC	CN201110452837.6	Genor Biopharma Co., Ltd., Yuxi Genor Biotechnology Co., Ltd.	29/12/2011	29/12/2031
6	Invention	Lyophilized Protein Composition And Preparation Method Thereof	PRC	CN201110452136.2	Genor Biopharma Co., Ltd., Yuxi Genor Biotechnology Co., Ltd.	29/12/2011	29/12/2031
7	Invention	Aqueous Drug Preparation Of Anti- TNF (Tumour Necrosis Factor)-Alpha Human Monoclonal Antibody For Strengthening Stability	PRC	CN201210563488.X	Genor Biopharma Co., Ltd., Yuxi Genor Biotechnology Co., Ltd.	21/12/2012	21/12/2032
8	Invention	Long-Acting Hypoglycemic Fusion Protein	PRC	CN201310280199.3	Genor Biopharma Co., Ltd.	04/07/2013	04/07/2033

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date	Expiry Date
9	Invention	An Anti-Human RANKL Antibody	PRC	CN201310753972.3	Genor Biopharma Co., Ltd.	31/12/2013	31/12/2033
10	Invention	Fully Human HER2 Antibody, Coding Gene And Application Thereof	PRC	CN201410704632.6	Genor Biopharma Co., Ltd.	26/11/2014	26/11/2034
11	Invention	Fully Human HER2 Antibody, Coding Gene And Application Thereof	PRC	CN201410705404.0	Genor Biopharma Co., Ltd.	26/11/2014	26/11/2034
12	Invention	Fully Human HER2 Antibody, Coding Gene And Application Thereof	PRC	CN201410696680.5	Genor Biopharma Co., Ltd.	26/11/2014	26/11/2034
13	Invention	An Anti-Human RANKL Antibody, Its Humanized Antibody And Their Pharmaceutical Composition And Uses	PRC	CN201480017990.8	Genor Biopharma Co., Ltd.	28/12/2014	28/12/2034
14	Invention	An Anti-Human RANKL Antibody, Its Humanized Antibody And Their Pharmaceutical Composition And Uses	PRC	CN201811474561.X	Genor Biopharma Co., Ltd.	28/12/2014	28/12/2034
15	Invention	Mutant Antibody Of Fully Human HER2 Antibody, And Coding Gene And Application Thereof	PRC	CN201510051280.3	Genor Biopharma Co., Ltd.	30/01/2015	30/01/2035
16	Invention	Internal Standard Indicator for Analysing Proteins Through Capillary Gel Electrophoresis	PRC	CN201510216012.2	Genor Biopharma Co., Ltd.	30/04/2015	30/04/2035

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date	Expiry Date
17	Invention	An Anti-Human RANKL Antibody, Its Humanized Antibody And Their Pharmaceutical Composition And Uses	PRC	CN201510901094.4	Genor Biopharma Co., Ltd.	08/12/2015	08/12/2035
18	Invention	Method For Effectively Removing Host Protein In Downstream Purification Process Of Monoclonal Antibody	PRC	CN201611229029.2	Genor Biopharma Co., Ltd.	27/12/2016	27/12/2036
19	Invention	Production Method and Production Module for Upstream Staged Interception of Biological Macromolecules, And Application Thereof In Production	PRC	CN201810194834.9	Genor Biopharma Co., Ltd.	09/03/2018	09/03/2038
20	Invention	Pharmaceutical Composition Of Anti-RANKL Humanized Monoclonal Antibody With Enhanced Stability	PRC	CN202210103689.5	Genor Biopharma Co., Ltd.	28/01/2022	28/01/2042
21	Invention	Antibody Glycoform Modification Formula, Cell Culture Method And Application in Industrial Production	PRC	CN201811542658.X	Genor Biopharma Co., Ltd.	17/12/2018	17/12/2038
22	Invention	Anti-Angiogenesis Fusion Proteins	U.S.	US8926972	Genor Biopharma Co., Ltd.	18/03/2010	22/02/2031
23	Invention	Long-Acting Blood Sugar Decreasing Fusion Protein	U.S.	US10017555	Genor Biopharma Co., Ltd.	02/7/2014	30/7/2034

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date	Expiry Date
24	Invention	Anti-Human Rankl Antibody, Humanized Antibody Of The Same, And Pharmaceutical Composition And Use Thereof	U.S.	US9896510	Genor Biopharma Co., Ltd.	23/12/2015	28/12/2034
25	Invention	Anti-Human Rankl Antibody, Humanized Antibody Of The Same, And Pharmaceutical Composition And Use Thereof	NL, GB, FR, DE, IT, ES, CH	EP3091030	Genor Biopharma Co., Ltd.	28/12/2014	28/12/2034
26	Invention	Mutant Antibody Of Full Human Her2 Antibody, Coding Gene And Use Thereof	GB, FR, DE, CH	EP3115377	Genor Biopharma Co., Ltd.	08/12/2015	08/12/2035
27	Invention	Mutant Antibody Of Full Human Her2 Antibody, Coding Gene And Use Thereof	Japan	JP6263778	Genor Biopharma Co., Ltd.	08/12/2015	08/12/2035
28	Invention	Mutant Fully Humanised Antibody Against HER2 And Encoding Gene And Their Application	Russian Federation	RU2639531	Genor Biopharma Co., Ltd.	08/12/2015	08/12/2035
29	Invention	Humanized Anti-Human Rankl Antibody, Pharmaceutical Composition And Use Thereof	GB, FR, DE	EP3085709	Genor Biopharma Co., Ltd.	23/12/2015	23/12/2035
30	Invention	Mutated Antibody Of Fully Humanized Her2 Antibody, And Encoding Gene And Use Thereof	U.S.	US10253108	Genor Biopharma Co., Ltd.	08/12/2015	30/01/2036
31	Invention	Bispecific Antibodies And Uses Thereof	U.S.	11,566,083	Ab Therapeutics, Inc.	10/08/2021	01/08/2038
32	Invention	Bispecific Antibodies And Uses Thereof	U.S.	12,049,517	Ab Therapeutics, Inc.	31/01/2020	05/01/2039

APPENDIX VI**STATUTORY AND GENERAL INFORMATION**

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date	Expiry Date
33	Invention	Bispecific Antibodies And Uses Thereof	PRC	202111079150.2	Ab Therapeutics, Inc.	01/08/2018	01/08/2038
34	Invention	Bispecific Antibodies And Uses Thereof	PRC	202080024739.X	Ab Therapeutics, Inc.	28/01/2020	28/01/2040
35	Invention	Bispecific Antibodies And Uses Thereof	Hong Kong	40064279	Ab Therapeutics, Inc.	28/01/2020	28/01/2040
36	Invention	Bispecific Antibodies And Uses Thereof	JP	JP7685771	Ab Therapeutics, Inc.	01/08/2018	01/08/2038
37	Invention	Bispecific Antibodies And Uses Thereof	MO	MOJ/009172	Ab Therapeutics, Inc.	28/01/2020	28/01/2040
38	Invention	Bispecific Antibodies And Uses Thereof	EU	EP3661555	Ab Therapeutics, Inc.	28/01/2020	28/01/2040
39	Invention	Bispecific Antibodies And Uses Thereof	KR	KR10-2794369	Ab Therapeutics, Inc.	01/08/2018	01/08/2038
40	Invention	Cd3-Targeting Antibody And Manufacture and Use Thereof	PRC	ZLCN202011054853.5	Genor Biopharma Co., Ltd.	27/09/2020	27/09/2040
41	Invention	Bispecific Antibodies And Uses Thereof	U.S.	US17/425,830	Ab Therapeutics, Inc.	28/01/2020	07/03/2043

As at the Latest Practicable Date, the Group has applied for the registration of the following patents which the Group considered to be or may be material to its business:

No.	Type	Patent	Place of Registration	Application Number	Registered Owner	Application Date
1	Invention	Antibodies Or Antigen- Binding Fragments Thereof Targeting CD3e/G, Their Preparation And Uses	PRC	CN202011054853.5	Genor Biopharma Co., Ltd.	27/09/2020
2	Invention	Use Of An Anti-PD-1 Antibody In Combination With Fruquintinib For The Preparation Of A Medicament For The Treatment Of Cancer	PRC	CN202180008488.0	Genor Biopharma Co., Ltd.	15/01/2021
3	Invention	Use Of anti-PD-1 Antibodies In The Treatment Of Peripheral T-Cell Lymphomas	PRC	CN202110783389.1	Genor Biopharma Co., Ltd.	12/07/2021

No.	Type	Patent	Place of Registration	Application Number	Registered Owner	Application Date
4	Invention	Application Of Anti-PD-1 Antibody In Treatment Of Alveolar Soft Part Sarcoma	PRC	CN202110783289.9	Genor Biopharma Co., Ltd.	12/07/2021
5	Invention	Application Of Anti-PD-1 Antibody In Treatment Of Cervical Cancer	PRC	CN202110800512.6	Genor Biopharma Co., Ltd.	15/07/2021
6	Invention	Use Of Anti-PD-1 Antibodies In The Treatment Of Primary Mediastinal Large B-Cell Lymphoma	PRC	CN202110800350.6	Genor Biopharma Co., Ltd.	15/07/2021
7	Invention	Stable Bispecific Antibody Compositions	PRC	CN202310207399.X	Genor Biopharma Co., Ltd.	03/03/2023
8	Invention	Anti-CCR8 Antibody And Anti-CCR8/CTLA4 Bispecific Antibody	World Intellectual Property Organization	PCT/CN2024/090136	Genor Biopharma Co., Ltd.	26/04/2024
9	Invention	Anti-PD-1/CTLA-4/TIGIT Trispecific Antibodies And Use Thereof	World Intellectual Property Organization	PCT/CN2024/090094	Genor Biopharma Co., Ltd.	26/04/2024
10	Invention	Anti-PD-1/CTLA-4/VEGF Antibodies And Use Thereof	World Intellectual Property Organization	PCT/CN2024/089982	Genor Biopharma Co., Ltd.	26/04/2024
11	Invention	Novel Anti-CTLA-4 Antibody	World Intellectual Property Organization	PCT/CN2023/127601	Genor Biopharma Co., Ltd.	30/10/2023
12	Invention	Bispecific Antibodies And Uses Thereof	EU	EP20749497	Ab Therapeutics, Inc.	28/01/2020
13	Invention	Multi-Specific Antibodies And Uses Thereof	PRC	CN202180089374.3	Ab Therapeutics, Inc.	16/11/2021
14	Invention	Multispecific Antibodies And Uses Thereof	EU	EP21893000.6	Ab Therapeutics, Inc.	16/11/2021
15	Invention	Multispecific Antibodies And Uses Thereof	U.S.	US18/036,200	Ab Therapeutics, Inc.	16/11/2021
16	Invention	Multispecific Antibodies And Uses Thereof	Japan	JP2023-528957	Ab Therapeutics, Inc.	16/11/2021
17	Invention	Multispecific Antibodies And Uses Thereof	Hong Kong	HK62024088734.4	Ab Therapeutics, Inc.	14/03/2024
18	Invention	Multispecific Antibodies And Uses Thereof	World Intellectual Property Organization	PCT/US2023/015792	Ab Therapeutics, Inc.	21/03/2023

No.	Type	Patent	Place of Registration	Application Number	Registered Owner	Application Date
19	Invention	Cd3-Targeting Antibody And Use Thereof	U.S.	18/850,279	Genor Biopharma Co., Ltd.	25/03/2022
20	Invention	Cd3-Targeting Antibody And Use Thereof	Japan	JP2024-556797	Genor Biopharma Co., Ltd.	25/03/2022
21	Invention	Cd3-Targeting Antibody And Use Thereof	EU	22932707.7	Genor Biopharma Co., Ltd.	25/03/2022
22	Invention	Novel Anti-CTLA-4 Antibody	PRC	CN202380076031.2	Genor Biopharma Co., Ltd.	30/10/2023
23	Invention	Novel Anti-CTLA-4 antibody	EU	EP23881999.9	Genor Biopharma Co., Ltd.	30/10/2023
24	Invention	Novel Anti-CTLA-4 Antibody	US	US19/125.060	Genor Biopharma Co., Ltd.	30/10/2023
25	Invention	Novel Anti-CTLA-4 Antibody	JP	JP110001818	Genor Biopharma Co., Ltd.	30/10/2023
26	Invention	Novel Anti-CTLA-4 Antibody	CA	CA3271303	Genor Biopharma Co., Ltd.	30/10/2023
27	Invention	Novel Anti-CTLA-4 Antibody	AU	AU2023368748	Genor Biopharma Co., Ltd.	30/10/2023
28	Invention	Novel Anti-CTLA-4 Antibody	ID	IDP00202503796	Genor Biopharma Co., Ltd.	30/10/2023
29	Invention	Novel Anti-CTLA-4 Antibody	IN	IN202547040867	Genor Biopharma Co., Ltd.	30/10/2023
30	Invention	Novel Anti-CTLA-4 Antibody	NZ	NZ820837	Genor Biopharma Co., Ltd.	30/10/2023
31	Invention	Novel Anti-CTLA-4 Antibody	SG	SG11202502680U	Genor Biopharma Co., Ltd.	30/10/2023
32	Invention	Novel Anti-CTLA-4 Antibody	TH	TH2501002557	Genor Biopharma Co., Ltd.	30/10/2023
33	Invention	Novel Anti-CTLA-4 Antibody	ZA	ZA2025/03323	Genor Biopharma Co., Ltd.	30/10/2023
34	Invention	Novel Anti-CTLA-4 Antibody	MY	MYPI2025002514	Genor Biopharma Co., Ltd.	30/10/2023
35	Invention	Novel Anti-CTLA-4 Antibody	AE	AEP2025-01213	Genor Biopharma Co., Ltd.	30/10/2023
36	Invention	Novel Anti-CTLA-4 Antibody	BR	BR1120250082957	Genor Biopharma Co., Ltd.	30/10/2023
37	Invention	Novel Anti-CTLA-4 Antibody	RU	RU2025114285	Genor Biopharma Co., Ltd.	30/10/2023
38	Invention	Novel Anti-CTLA-4 Antibody	KR	KR10-2025-7017002	Genor Biopharma Co., Ltd.	30/10/2023
39	Invention	Multispecific Antibodies And Uses Thereof	US	US18/849,230	Ab Therapeutics, Inc.	21/03/2023

No.	Type	Patent	Place of Registration	Application Number	Registered Owner	Application Date
40	Invention	Bispecific Antibodies And Uses Thereof	PRC	CN202411097878.1	Ab Therapeutics, Inc.	01/08/2018
41	Invention	Bispecific Antibodies And Uses Thereof	KR	KR10-2025-7011307	Ab Therapeutics, Inc.	01/08/2018
42	Invention	Bispecific Antibodies And Uses Thereof	JP	JP2025-072790	Ab Therapeutics, Inc.	01/08/2018
43	Invention	Cd3-Targeting Antibody And Manufacture and Use Thereof	PRC	CN202510707108.2	Genor Biopharma Co., Ltd.	27/09/2020

4.2 Trademarks

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks which the Group considers to be or may be material to its business:

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
嘉和生物	5	Genor Biopharma Co., Ltd.	PRC	64974105	07/05/2023	06/05/2033
	5	Genor Biopharma Co., Ltd.	PRC	62253624	07/08/2022	06/08/2032
Genor	42	Genor Biopharma Co., Ltd.	PRC	59573838	28/10/2022	27/10/2032
Genor	5	Genor Biopharma Co., Ltd.	PRC	59577919	21/03/2022	20/03/2032
GENOR BIOPHARMA	44	Genor Biopharma Co., Ltd.	PRC	59568315	14/05/2023	13/05/2033
Genor	44	Genor Biopharma Co., Ltd.	PRC	59596282	21/03/2022	20/03/2032
GENOR BIOPHARMA	5	Genor Biopharma Co., Ltd.	PRC	58060632	21/11/2022	20/11/2032
GENOR	5	Genor Biopharma Co., Ltd.	PRC	58036998	14/09/2022	13/09/2032
逾和达	35	Genor Biopharma Co., Ltd.	PRC	55054396	28/10/2021	27/10/2031
和佳飞	35	Genor Biopharma Co., Ltd.	PRC	55042560	28/10/2021	27/10/2031
汝佳宁	5	Genor Biopharma Co., Ltd.	PRC	55048945	28/10/2021	27/10/2031
和普赛	5	Genor Biopharma Co., Ltd.	PRC	55026812	28/10/2021	27/10/2031

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
倍和嘉	35	Genor Biopharma Co., Ltd.	PRC	55042554	28/10/2021	27/10/2031
倍和嘉	5	Genor Biopharma Co., Ltd.	PRC	55057179	28/10/2021	27/10/2031
嘉乐洛	35	Genor Biopharma Co., Ltd.	PRC	55034550	28/10/2021	27/10/2031
佑佳汀	5	Genor Biopharma Co., Ltd.	PRC	55056389	28/10/2021	27/10/2031
和佳飞	5	Genor Biopharma Co., Ltd.	PRC	55054321	28/10/2021	27/10/2031
和美络	5	Genor Biopharma Co., Ltd.	PRC	55044829	28/10/2021	27/10/2031
和瑞杰	35	Genor Biopharma Co., Ltd.	PRC	55045268	28/10/2021	27/10/2031
和安乐	5	Genor Biopharma Co., Ltd.	PRC	55026830	28/10/2021	27/10/2031
和新宜	5	Genor Biopharma Co., Ltd.	PRC	55037246	28/10/2021	27/10/2031
逾和达	5	Genor Biopharma Co., Ltd.	PRC	55055402	28/10/2021	27/10/2031
佑佳汀	35	Genor Biopharma Co., Ltd.	PRC	55032714	28/10/2021	27/10/2031
和比宁	35	Genor Biopharma Co., Ltd.	PRC	55023905	28/10/2021	27/10/2031
汝佳宁	35	Genor Biopharma Co., Ltd.	PRC	55025118	28/10/2021	27/10/2031
和佳思	5	Genor Biopharma Co., Ltd.	PRC	55048982	28/10/2021	27/10/2031
和比宁	5	Genor Biopharma Co., Ltd.	PRC	55027620	07/01/2022	06/01/2032
和安乐	35	Genor Biopharma Co., Ltd.	PRC	55042566	28/10/2021	27/10/2031
和佳思	35	Genor Biopharma Co., Ltd.	PRC	55055726	28/10/2021	27/10/2031
和佑宁	35	Genor Biopharma Co., Ltd.	PRC	55046322	28/10/2021	27/10/2031
嘉乐洛	5	Genor Biopharma Co., Ltd.	PRC	55037201	28/10/2021	27/10/2031
和美络	35	Genor Biopharma Co., Ltd.	PRC	55049023	28/10/2021	27/10/2031
和普赛	35	Genor Biopharma Co., Ltd.	PRC	55049052	28/10/2021	27/10/2031

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
Genor	35	Genor Biopharma Co., Ltd.	PRC	47777715	21/05/2021	20/05/2031
嘉和	42	Genor Biopharma Co., Ltd.	PRC	43504488	14/09/2020	13/09/2030
嘉和	40	Genor Biopharma Co., Ltd.	PRC	43489256	14/09/2020	13/09/2030
GENOR BIOPHARMA	40	Genor Biopharma Co., Ltd.	PRC	43484768	07/10/2020	06/10/2030
GENOR BIOPHARMA	35	Genor Biopharma Co., Ltd.	PRC	42334060	28/10/2020	27/10/2030
GENOR BIOPHARMA	5	Genor Biopharma Co., Ltd.	PRC	42336284	14/02/2022	13/02/2032
艾净乐	5	Genor Biopharma Co., Ltd.	PRC	37421988	21/11/2019	20/11/2029
阿芙加新	5	Genor Biopharma Co., Ltd.	PRC	37431486	21/11/2019	20/11/2029
艾祛静	5	Genor Biopharma Co., Ltd.	PRC	37429058	21/11/2019	20/11/2029
奕曲艾	5	Genor Biopharma Co., Ltd.	PRC	37423401	21/11/2019	20/11/2029
艾奕珍	5	Genor Biopharma Co., Ltd.	PRC	37429065	07/12/2019	06/12/2029
奕百柯	5	Genor Biopharma Co., Ltd.	PRC	37407113	28/11/2019	27/11/2029
和佑宁	5	Genor Biopharma Co., Ltd.	PRC	37411904	21/02/2020	20/02/2030
清艾汀	5	Genor Biopharma Co., Ltd.	PRC	37408977	21/11/2019	20/11/2029
益安汀	5	Genor Biopharma Co., Ltd.	PRC	37429111	07/12/2019	06/12/2029
佳勿优	5	Genor Biopharma Co., Ltd.	PRC	37411907	21/11/2019	20/11/2029
艾比宁	5	Genor Biopharma Co., Ltd.	PRC	37416743	21/12/2019	20/12/2029
艾灵净	5	Genor Biopharma Co., Ltd.	PRC	37429052	28/11/2019	27/11/2029
佳佑健	5	Genor Biopharma Co., Ltd.	PRC	37417269	21/11/2019	20/11/2029
葛博灵康	5	Genor Biopharma Co., Ltd.	PRC	37418815	21/11/2019	20/11/2029

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
佳佑静	5	Genor Biopharma Co., Ltd.	PRC	37423375	21/11/2019	20/11/2029
妳乐	5	Genor Biopharma Co., Ltd.	PRC	36719233	14/11/2019	13/11/2029
卿安汀	5	Genor Biopharma Co., Ltd.	PRC	36711564	07/11/2019	06/11/2029
妳安	5	Genor Biopharma Co., Ltd.	PRC	36720652	21/11/2019	20/11/2029
贺如汀	5	Genor Biopharma Co., Ltd.	PRC	36716922	07/11/2019	06/11/2029
品妳汀	5	Genor Biopharma Co., Ltd.	PRC	36724773	07/11/2019	06/11/2029
馨美明	5	Genor Biopharma Co., Ltd.	PRC	36719274	07/11/2019	06/11/2029
妳宁	5	Genor Biopharma Co., Ltd.	PRC	36716978	07/11/2019	06/11/2029
奕百柯	5	Genor Biopharma Co., Ltd.	PRC	36705189	07/11/2019	06/11/2029
爱比汀	5	Genor Biopharma Co., Ltd.	PRC	36712482	07/11/2019	06/11/2029
卿可宁	5	Genor Biopharma Co., Ltd.	PRC	36716954	07/11/2019	06/11/2029
优妳可	5	Genor Biopharma Co., Ltd.	PRC	36720687	14/11/2019	13/11/2029
妳佳	5	Genor Biopharma Co., Ltd.	PRC	36719266	21/11/2019	20/11/2029
卿安可	5	Genor Biopharma Co., Ltd.	PRC	36722356	14/11/2019	13/11/2029
赫灵馨	5	Genor Biopharma Co., Ltd.	PRC	36705139	07/11/2019	06/11/2029
安乏汀	5	Genor Biopharma Co., Ltd.	PRC	36705121	07/11/2019	06/11/2029
妳佳	5	Genor Biopharma Co., Ltd.	PRC	36712507	14/11/2019	13/11/2029
玉佳汀	5	Genor Biopharma Co., Ltd.	PRC	36702794	07/11/2019	06/11/2029
玉佳宁	5	Genor Biopharma Co., Ltd.	PRC	36705200	07/11/2019	06/11/2029
吾悠汀	5	Genor Biopharma Co., Ltd.	PRC	36726469	21/11/2019	20/11/2029
奕曲艾	5	Genor Biopharma Co., Ltd.	PRC	36711602	07/11/2019	06/11/2029

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
汝佳汀	5	Genor Biopharma Co., Ltd.	PRC	36274992	21/09/2019	20/09/2029
汝佳汀	42	Genor Biopharma Co., Ltd.	PRC	36270159	28/09/2019	27/09/2029
艾佳宁	42	Genor Biopharma Co., Ltd.	PRC	36277567	21/09/2019	20/09/2029
艾佳宁	35	Genor Biopharma Co., Ltd.	PRC	36266436	21/09/2019	20/09/2029
汝佳汀	35	Genor Biopharma Co., Ltd.	PRC	36262556	21/09/2019	20/09/2029
Genor	5	Genor Biopharma Co., Ltd.	PRC	7423522	14/10/2010	13/10/2030
Genor	44	Genor Biopharma Co., Ltd.	PRC	7423518	07/11/2010	06/11/2030
Genor	40	Genor Biopharma Co., Ltd.	PRC	7423520	28/10/2010	27/10/2030
Genor	39	Genor Biopharma Co., Ltd.	PRC	7423521	28/11/2011	27/11/2031
	42	Genor Biopharma Co., Ltd.	PRC	7354094	14/09/2013	13/09/2033
	40	Genor Biopharma Co., Ltd.	PRC	7354095	21/10/2010	20/10/2030
GENOR	5,39,40,42,44	Genor Biopharma Co., Ltd.	Singapore	T0906756J	19/06/2009	18/06/2029
GENOR	1,5,39,40,44	Genor Biopharma Co., Ltd.	Canada	1,444,812 (TMA845019)	15/7/2009	29/02/2028
GENOR	5,39,40,42,44	Genor Biopharma Co., Ltd.	Japan	5390404	23/06/2009	10/02/2031
GENOR	5,39,40,42,44	Genor Biopharma Co., Ltd.	EU	8383325	24/12/2009	22/06/2029

4.3 Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names which the Group considers to be or may be material to its business:

No.	Registrant	Domain Name	Registration date	Expiration date
1	Genor Biopharma Co., Ltd.	genorbio.com	20/10/2009	20/10/2026

4.4 Copyrights

As at the Latest Practicable Date, the Group was the registered owner of the following copyrights which the Group considers to be or may be material to its business:

No.	Copyright	Place of Registration	Name of the Registered Proprietor(s)	Registration Certificate Number	Date of Registration
1		PRC	Genor Biopharma Co., Ltd.	2021F00249324	28/10/2021
2		PRC	Genor Biopharma Co., Ltd.	2021F00249324	28/10/2021
3		PRC	Genor Biopharma Co., Ltd.	2021F00234131	13/10/2021
4		PRC	Genor Biopharma Co., Ltd.	2021F00234131	13/10/2021
5		PRC	Genor Biopharma Co., Ltd.	2022F10073041	08/04/2022

Save as disclosed above, as at the Latest Practicable Date, there were no other intellectual property rights which are material in relation to the business of the Group.

5. INTELLECTUAL PROPERTY OF THE TARGET GROUP

5.1 Patents

As at the Latest Practicable Date, the Target Group owned the following registered patents which the Target Group considers to be or may be material to its business:

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date
1	Invention	Preparation method of anhydrous beclomethasone dipropionate sterile powder and inhalation suspension	PRC	2017113780240	Eddingpharm (Suzhou)	12/19/2017
2	Invention	A kind of budesonide sterile raw material and preparation method of suspension for inhalation	PRC	2017113780096	Eddingpharm (Suzhou)	12/19/2017
3	Utility Model	A discharging device for pharmaceutical manufacturing	PRC	2022207821343	Eddingpharm (Suzhou)	04/02/2022
4	Utility Model	An adjustable liquid spraying device for pharmacy	PRC	2022207645021	Eddingpharm (Suzhou)	04/02/2022
5	Utility Model	A butterfly valve safety device for medicine manufacturing material barrel	PRC	2022207634474	Eddingpharm (Suzhou)	04/02/2022
6	Utility Model	A material barrel blowing and drying device for medicine transfer	PRC	2022207634436	Eddingpharm (Suzhou)	04/02/2022
7	Utility Model	A manufacturing unit for isopropanol transfer system	PRC	2022207634309	Eddingpharm (Suzhou)	04/02/2022
8	Utility Model	A packaging-line drug propelling device for pharmaceutical manufacturing	PRC	2022211248034	Eddingpharm (Suzhou)	05/11/2022

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date
9	Utility Model	A spindle removal device for pharmaceutical pelletizing pot	PRC	2022210526916	Eddingpharm (Suzhou)	05/05/2022
10	Utility Model	A impeller removal device for blower used for pharmaceutical manufacturing	PRC	2022210501270	Eddingpharm (Suzhou)	05/05/2022
11	Utility Model	A fixator for pure water tank	PRC	2022211247830	Eddingpharm (Suzhou)	05/11/2022
12	Utility Model	An unloading guide device for blowing-filling-sealing equipment	PRC	2022213873379	Eddingpharm (Suzhou)	06/01/2022
13	Utility Model	A printing and detection device for suspension drug plate and regulating medicine	PRC	2022213607544	Eddingpharm (Suzhou)	06/01/2022
14	Utility Model	A medicine arranging and buffering device for suspension medicine plate production line	PRC	2022213584608	Eddingpharm (Suzhou)	06/01/2022
15	Invention	A spray coating drying device for production	PRC	202210637943X	Eddingpharm (Suzhou)	06/08/2022
16	Utility Model	A gearbox main shaft ejection device for mixing and stirring medicines	PRC	2022215879204	Eddingpharm (Suzhou)	06/23/2022
17	Utility Model	An air knife cooling device for pharmaceutical packaging equipment	PRC	2022215855676	Eddingpharm (Suzhou)	06/23/2022
18	Utility Model	A clip conveying system suitable for medicine	PRC	2022215847701	Eddingpharm (Suzhou)	06/23/2022
19	Invention	A system for monitoring pressure in cavity in medicine granulation process	PRC	2022107404617	Eddingpharm (Suzhou)	06/28/2022

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date
20	Utility Model	Sterile drying equipment for pharmaceutical instruments	PRC	2023230526400	Eddingpharm (Suzhou)	11/13/2023
21	Utility Model	Test tube storage cabinet	PRC	202323183061X	Eddingpharm (Suzhou)	11/24/2023
22	Utility Model	Pharmaceutical sterilization tank	PRC	2023231839262	Eddingpharm (Suzhou)	11/24/2023
23	Utility Model	A dry system used for pharmaceuticals	PRC	2023233950298	Eddingpharm (Suzhou)	12/13/2023
24	Invention	An analysing method of API granularity of fluticasone propionate	PRC	2024112183420	Eddingpharm (Suzhou)	09/02/2024
25	Invention	Vancomycin component structure analysis method based on two- dimensional high performance liquid chromatography- high resolution mass spectrometry and vancomycin B open-loop compound	PRC	202110814355.4	Eddingpharm (Asia) Macau	07/19/2021
26	Invention	Pharmaceutical composition containing optically active compound having thrombopoietin receptor agonist activity, and intermediate therefor	PRC	2008801104301	Eddingpharm (HK)	07/29/2008
27	Invention	Pharmaceutical composition containing optically active compound having thrombopoietin receptor agonist activity, and intermediate therefor	PRC	2013103562044	Eddingpharm (HK)	07/29/2008

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Type	Patent	Place of Registration	Patent Number	Registered Owner	Application Date
28	Invention	Pharmaceutical composition containing optically active compound having thrombopoietin receptor agonist activity, and intermediate therefor	PRC	2013103565076	Eddingpharm (HK)	07/29/2008
29	Invention	Preparation for improving solubility of poorly soluble drug	PRC	2011800576237	Eddingpharm (HK)	09/29/2011
30	Invention	siRNA of angiopoietin-like 3 (ANGPTL3) and its use	PRC	2021800229023	Eddingpharm (Zhuhai)	09/30/2021
31	Invention	Grinding device for dry suspension production	PRC	2024222551439	Eddingpharm (Suzhou)	09/14/2024
32	Invention	Pneumatic barrel traction transfer device	PRC	2024225365954	Eddingpharm (Suzhou)	10/21/2024
33	Invention	Medicinal granule finishing device	PRC	2024225365916	Eddingpharm (Suzhou)	10/21/2024

5.2 Trademarks

As at the Latest Practicable Date, the Target Group was the registered owner of the following trademarks which the Target Group considers to be or may be material to its business:

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
	5	Eddingpharm Suzhou	PRC	3995563	4/28/2007	4/27/2027
	41	Eddingpharm Suzhou	PRC	4026275	7/28/2007	7/27/2027

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
	42	Eddingpharm Suzhou	PRC	4026274	7/28/2007	7/27/2027
	44	Eddingpharm Suzhou	PRC	4026273	7/28/2007	7/27/2027
Eddingpharm	5	Eddingpharm Suzhou	PRC	3995562	12/7/2006	12/6/2026
Eddingpharm	10	Eddingpharm Suzhou	PRC	4026272	5/28/2006	5/27/2026
Eddingpharm	41	Eddingpharm Suzhou	PRC	4026267	4/14/2007	4/13/2027
Eddingpharm	42	Eddingpharm Suzhou	PRC	4026266	4/14/2007	4/13/2027
Eddingpharm	44	Eddingpharm Suzhou	PRC	4026265	4/14/2007	4/13/2027
亿腾	5	Eddingpharm Suzhou	PRC	3995564	11/14/2006	11/13/2026
亿腾	10	Eddingpharm Suzhou	PRC	4026280	5/28/2006	5/27/2026
亿腾	41	Eddingpharm Suzhou	PRC	4026279	4/21/2007	4/20/2027
亿腾	42	Eddingpharm Suzhou	PRC	4026278	4/21/2007	4/20/2027
亿腾	44	Eddingpharm Suzhou	PRC	4026277	4/14/2007	4/13/2027
 EDDING 亿腾	5	Eddingpharm Suzhou	PRC	48852921	12/7/2021	12/6/2031

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
 EDDING 亿腾	10	Eddingpharm Suzhou	PRC	48863746	12/7/2021	12/6/2031
 EDDING 亿腾	41	Eddingpharm Suzhou	PRC	48881873	12/7/2021	12/6/2031
 EDDING 亿腾	44	Eddingpharm Suzhou	PRC	48862203	12/7/2021	12/6/2031
 EDDING 亿腾	42	Eddingpharm Suzhou	PRC	48871922	2/28/2022	2/27/2032
 EDDING 亿腾	30	Eddingpharm Suzhou	PRC	48871306	3/28/2022	3/27/2032
 EDDING 亿腾	10	Eddingpharm Suzhou	PRC	48869222	12/7/2021	12/6/2031
 EDDING 亿腾	41	Eddingpharm Suzhou	PRC	48863198	12/7/2021	12/6/2031
 EDDING 亿腾	44	Eddingpharm Suzhou	PRC	48881059	12/7/2021	12/6/2031
 EDDING 亿腾	42	Eddingpharm Suzhou	PRC	48867479	2/28/2022	2/27/2032
 EDDING 亿腾	5	Eddingpharm Suzhou	PRC	48855015	3/14/2022	3/13/2032
 EDDING 亿腾	30	Eddingpharm Suzhou	PRC	48863806	3/28/2022	3/27/2032
 EDDING	5	Eddingpharm Suzhou	PRC	48877468	12/7/2021	12/6/2031
 EDDING	10	Eddingpharm Suzhou	PRC	48859107	12/7/2021	12/6/2031
 EDDING	30	Eddingpharm Suzhou	PRC	48873026	12/7/2021	12/6/2031
 EDDING	41	Eddingpharm Suzhou	PRC	48871895	12/7/2021	12/6/2031

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
	44	Eddingpharm Suzhou	PRC	48862199	12/7/2021	12/6/2031
	42	Eddingpharm Suzhou	PRC	48858746	2/28/2022	2/27/2032
	5	Eddingpharm Suzhou	PRC	7725103	6/14/2011	6/13/2031
	10	Eddingpharm Suzhou	PRC	7722087	1/7/2011	1/6/2031
	41	Eddingpharm Suzhou	PRC	7721982	6/14/2011	6/13/2031
	42	Eddingpharm Suzhou	PRC	7721981	10/14/2011	10/13/2031
	44	Eddingpharm Suzhou	PRC	7721980	1/14/2011	1/13/2031
	5	Eddingpharm Suzhou	PRC	7725102	5/28/2011	5/27/2031
	10	Eddingpharm Suzhou	PRC	7722091	12/7/2010	12/6/2030
	41	Eddingpharm Suzhou	PRC	7722090	1/7/2011	1/6/2031
	42	Eddingpharm Suzhou	PRC	7722089	1/7/2011	1/6/2031

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
	44	Eddingpharm Suzhou	PRC	7722088	1/14/2011	1/13/2031
希刻劳	5	Maxi Vantage Limited	PRC	27509888	3/28/2019	3/27/2029
希刻劳	5	Maxi Vantage Limited	PRC	612990	10/10/1992	10/9/2032
希刻劳	5	Maxi Vantage Limited	PRC	9101253	2/7/2012	2/6/2032
希刻劳	5	Maxi Vantage Limited	PRC	64492310	1/7/2023	1/6/2033
希刻劳	35	Maxi Vantage Limited	PRC	64491990	08/07/2023	08/06/2033
希刻劳	1	Maxi Vantage Limited	PRC	64489342	08/07/2023	08/06/2033
希刻劳	10	Maxi Vantage Limited	PRC	64488781	08/07/2023	08/06/2033
希刻劳	42	Maxi Vantage Limited	PRC	64496662	08/07/2023	08/06/2033
CECLOR	5	Maxi Vantage Limited	PRC	27509889	11/21/2018	11/20/2028
CECLOR	5	Maxi Vantage Limited	PRC	612989	10/10/1992	10/9/2032
稳可信	5	Maxi Vantage Limited	PRC	16461458	4/28/2016	4/27/2026
稳可信	5	Maxi Vantage Limited	PRC	802177	12/28/1995	12/27/2035
稳可信	5	Maxi Vantage Limited	PRC	61864035	09/07/2023	09/06/2033
稳可信	10	Maxi Vantage Limited	PRC	64495492	09/07/2023	09/06/2033
稳可信	35	Maxi Vantage Limited	PRC	64490620	09/07/2023	09/06/2033
稳可信	1	Maxi Vantage Limited	PRC	64483956	09/07/2023	09/06/2033
稳可信	42	Maxi Vantage Limited	PRC	64477627	09/07/2023	09/06/2033
VANCOCIN	5	Maxi Vantage Limited	PRC	520111	5/30/1990	5/29/2030
稳可信 WENKEXIN	5	Maxi Vantage Limited	PRC	61853968	09/07/2023	09/06/2033
Eddingpharm	5&35	Eddingpharm (Asia)	Hong Kong	302180349	3/5/2012	3/4/2032

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
	5&35	Eddingpharm (Asia)	Hong Kong	302180376	3/5/2012	3/4/2032
	5&35	Eddingpharm (Asia)	Hong Kong	302180385	3/5/2012	3/4/2032
	5&35	Eddingpharm (Asia)	Hong Kong	302180394	3/5/2012	3/4/2032
						
						
						
	5&10&42	Mount View Limited	Hong Kong	305302412	6/12/2020	6/11/2030
	5&10&42	Mount View Limited	Hong Kong	305302421	6/12/2020	6/11/2030
唯思沛	5&10&42	Eddingpharm (Asia) Macau	Hong Kong	305390569	9/15/2020	9/14/2030
稳赛平	5	Eddingpharm (Asia) Macau	PRC	45791149	12/14/2020	12/13/2030
稳赛平	10	Eddingpharm (Asia) Macau	PRC	45803813	12/21/2020	12/20/2030
稳赛平	30	Eddingpharm (Asia) Macau	PRC	45794947	12/21/2020	12/20/2030
稳赛平	41	Eddingpharm (Asia) Macau	PRC	45798959	1/7/2021	1/6/2031
稳赛平	42	Eddingpharm (Asia) Macau	PRC	45798994	12/21/2020	12/20/2030
稳赛平	44	Eddingpharm (Asia) Macau	PRC	45814303	12/14/2020	12/13/2030
稳适平	5	Eddingpharm (Asia) Macau	PRC	45819216	12/21/2020	12/20/2030

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
稳适平	10	Eddingpharm (Asia) Macau	PRC	45819260	12/21/2020	12/20/2030
稳适平	30	Eddingpharm (Asia) Macau	PRC	45817718	12/21/2020	12/20/2030
稳适平	41	Eddingpharm (Asia) Macau	PRC	45817745	12/21/2020	12/20/2030
稳适平	42	Eddingpharm (Asia) Macau	PRC	45811449	12/21/2020	12/20/2030
稳适平	44	Eddingpharm (Asia) Macau	PRC	45806703	12/21/2020	12/20/2030
稳可沛	5	Eddingpharm (Asia) Macau	PRC	46127213	12/21/2020	12/20/2030
稳可沛	10	Eddingpharm (Asia) Macau	PRC	46127258	12/21/2020	12/20/2030
稳可沛	30	Eddingpharm (Asia) Macau	PRC	46120545	12/21/2020	12/20/2030
稳可沛	41	Eddingpharm (Asia) Macau	PRC	46118562	12/21/2020	12/20/2030
稳可沛	42	Eddingpharm (Asia) Macau	PRC	46112361	12/21/2020	12/20/2030
稳可沛	44	Eddingpharm (Asia) Macau	PRC	46116834	12/21/2020	12/20/2030
唯思沛	5	Eddingpharm (Asia) Macau	PRC	48734852	3/21/2021	3/20/2031
唯思沛	10	Eddingpharm (Asia) Macau	PRC	48764023	3/21/2021	3/20/2031
唯思沛	30	Eddingpharm (Asia) Macau	PRC	48759263	3/21/2021	3/20/2031
唯思沛	41	Eddingpharm (Asia) Macau	PRC	48735333	3/21/2021	3/20/2031
唯思沛	42	Eddingpharm (Asia) Macau	PRC	48735497	3/21/2021	3/20/2031
唯思沛	44	Eddingpharm (Asia) Macau	PRC	48740378	3/21/2021	3/20/2031

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
亿舒泰	10	Eddingpharm (Asia) Macau	PRC	54175493	10/7/2021	10/6/2031
亿舒泰	41	Eddingpharm (Asia) Macau	PRC	54199087	10/7/2021	10/6/2031
亿舒泰	44	Eddingpharm (Asia) Macau	PRC	54175509	10/7/2021	10/6/2031
亿舒泰	5	Eddingpharm (Asia) Macau	PRC	54203082	10/7/2021	10/6/2031
亿舒泰	42	Eddingpharm (Asia) Macau	PRC	54203097	10/14/2021	10/13/2031
亿舒泰	30	Eddingpharm (Asia) Macau	PRC	54198592	10/21/2021	10/20/2031
稳可达	5	Eddingpharm (Asia) Macau	PRC	50193366	6/7/2021	6/6/2031
稳可达	44	Eddingpharm (Asia) Macau	PRC	50172267	6/7/2021	6/6/2031
稳可达	30	Eddingpharm (Asia) Macau	PRC	50161927	6/7/2021	6/6/2031
稳可达	42	Eddingpharm (Asia) Macau	PRC	50156781	6/7/2021	6/6/2031
稳可达	41	Eddingpharm (Asia) Macau	PRC	50161930	6/21/2021	6/20/2031
稳可达	10	Eddingpharm (Asia) Macau	PRC	50178870	6/28/2021	6/27/2031
立舒泰	10	Eddingpharm (Asia) Macau	PRC	49721106	5/7/2021	5/6/2031
立舒泰	42	Eddingpharm (Asia) Macau	PRC	49742189	5/7/2021	5/6/2031
立舒泰	41	Eddingpharm (Asia) Macau	PRC	49733966	5/7/2021	5/6/2031

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
立舒泰	44	Eddingpharm (Asia) Macau	PRC	49724020	5/7/2021	5/6/2031
立舒泰	30	Eddingpharm (Asia) Macau	PRC	49729965	7/7/2021	7/6/2031
MULPLETA	5	Eddingpharm (Suzhou)	PRC	G1242339B	12/22/2014	12/22/2034
	5	Eddingpharm (Suzhou)	PRC	G1264098B	6/23/2015	6/23/2035
莫普特	5	Eddingpharm (Suzhou)	PRC	22283412	1/28/2018	1/27/2028
莫普达	5	Eddingpharm (Suzhou)	PRC	22283411	1/28/2018	1/27/2028
维思沛	5	Eddingpharm (Asia) Macau	PRC	83025339	7/7/2025	7/6/2035
维思沛	10	Eddingpharm (Asia) Macau	PRC	83028156	7/7/2025	7/6/2035
维思沛	35	Eddingpharm (Asia) Macau	PRC	83034039	7/7/2025	7/6/2035
维思沛	41	Eddingpharm (Asia) Macau	PRC	83035978	7/7/2025	7/6/2035
维思沛	5	Eddingpharm (Asia) Macau	PRC	83034066	7/7/2025	7/6/2035
维诗沛	10	Eddingpharm (Asia) Macau	PRC	83026859	7/7/2025	7/6/2035
维诗沛	35	Eddingpharm (Asia) Macau	PRC	83037788	7/7/2025	7/6/2035
维诗沛	41	Eddingpharm (Asia) Macau	PRC	83031417	7/7/2025	7/6/2035

Marks	Category	Owner	Place of Registration	Registration No.	Registration Date	Expiry Date
亿思沛	5	Eddingpharm (Suzhou)	PRC	83026593	7/14/2025	7/13/2035
	10	Eddingpharm (Suzhou)	PRC	83034355	7/14/2025	7/13/2035
	35	Eddingpharm (Suzhou)	PRC	83028101	7/14/2025	7/13/2035
	41	Eddingpharm (Suzhou)	PRC	83020663	7/14/2025	7/13/2035
亿可沛	5	Eddingpharm (Suzhou)	PRC	83036253	7/14/2025	7/13/2035
	10	Eddingpharm (Suzhou)	PRC	83036267	7/14/2025	7/13/2035
	35	Eddingpharm (Suzhou)	PRC	83020702	7/14/2025	7/13/2035
	41	Eddingpharm (Suzhou)	PRC	83031898	7/14/2025	7/13/2035

5.3 Domain names

As at the Latest Practicable Date, the Target Group had registered the following domain names which the Target Group considers to be or may be material to its business:

No.	Registrant	Domain Name	Registration Date	Expiration Date
1	Eddingpharm Suzhou Shanghai Branch	eddingpharm.com	9/3/2001	9/3/2026
2	Eddingpharm Suzhou	eddingpharm.com.cn	2/22/2011	2/22/2026
3	Eddingpharm Suzhou	eddingpharm.net	6/2/2005	6/2/2026
4	Eddingpharm Suzhou Shanghai Branch	eddingpharma.com	4/2/2008	4/2/2026
5	Eddingpharm Suzhou	eddingpharma.com.cn	4/1/2008	4/1/2026
6	Eddingpharm Suzhou	eddingpharma.cn	4/1/2008	4/1/2026
7	Eddingpharm Suzhou	eddingpharmaceutical.com	11/23/2011	11/23/2026
8	Eddingpharm Suzhou	eddingpharm.hk	9/8/2011	9/8/2026
9	Eddingpharm Suzhou	eddingpharm.net	6/2/2005	6/2/2026
10	Eddingpharm Suzhou	eddingpharma.net	4/1/2008	4/1/2026
11	Eddingpharm Suzhou	erdosteine.com	12/29/2011	12/29/2026
12	ERC Pharma	ercpharma.com	9/9/2015	9/9/2026
13	Eddingpharm Suzhou Shanghai Branch	eddinggroup.com	10/20/2020	10/20/2026

5.4 Software copyrights

As at the Latest Practicable Date, the Target Group was the registered owner of the following software copyrights which the Target Group considers to be or may be material to its business:

No.	Software	Place of Registration	Name of the Registered Proprietor(s)	Registration Certificate Number	Date of Registration
1	Ceclor Pharmaceutical Industry Data Parameter Real Time Collection Software V1.0	PRC	Eddingpharm (Suzhou)	2022SR0890663	7/5/2022
2	Ceclor Drug Granulation Process Inner Environmental Monitoring Software V1.0	PRC	Eddingpharm (Suzhou)	2022SR0890662	7/5/2022

Save as disclosed above, as at the Latest Practicable Date, there were no other intellectual property rights which are material in relation to the business of the Target.

6. DISCLOSURE OF INTERESTS

6.1 Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), (ii) were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, (iii) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange, or (iv) were required to be disclosed under the Takeovers Code, were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾	Long position/ Short position
Mr. Weng	Beneficial owner	1,522,500 ⁽²⁾	0.29%	Long position
Dr. Guo	Beneficial owner	21,157,608 ⁽³⁾	4.00%	Long position

Notes:

- (1) The calculation is based on the total number of 528,291,792 Shares in issue as at the Latest Practicable Date.
- (2) These Shares included Mr. Weng's entitlement to further receive, subject to fulfilment of the relevant vesting and exercise conditions, up to 1,150,000 Shares upon vesting and/or exercise of all outstanding share options and RSUs held by him.
- (3) These Shares included Dr. Guo's entitlement to further receive, subject to fulfilment of the relevant vesting and exercise conditions, up to 7,160,265 Shares upon vesting and/or exercise of all outstanding share options and RSUs held by him.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange, or which were required to be disclosed under the Takeovers Code.

6.2 Interests and short positions of substantial Shareholders in the Shares and underlying Shares

Save as disclosed in the section headed "Substantial Shareholders" in this circular, the Directors and chief executive of the Company were not aware, as at the Latest Practicable Date, of any person (who are not Directors and chief executive of the Company) who had an interest (or long position) or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

7. DIRECTORS' SERVICE CONTRACTS

7.1 Existing Directors

Each of the existing Directors has entered into (for executive Directors) a service contract and (for non-executive Directors and independent non-executive Directors) a letter of appointment with the Company for an initial term of three years, and renewable automatically thereafter for successive periods of three years until terminated by giving to the other party no less than three months' prior notice in writing. Pursuant to the service contracts and the letters of appointment, each existing Director is subject to retirement by rotation and re-election in accordance with the Articles.

Mr. Weng has entered into a service agreement as an executive Director with the Company for an initial term of three years with effect from 12 September 2024, and renewable automatically thereafter for successive periods of three years until terminated in accordance with the agreement or by giving to the other party no less than three months prior notice in writing. Pursuant to the service agreement, Mr. Weng is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Mr. Weng is entitled to the remuneration package of emoluments including an annual salary of RMB1,105,452, together with discretionary bonuses and other incentive and subsidies payable by the Group to Mr. Weng, as determined by the Board and in accordance with the Company's policy.

Ms. Cui has entered into a letter of appointment as an independent non-executive Director with the Company for an initial term of three years with effect from 29 September 2024, and renewable automatically thereafter for successive periods of three years until terminated in accordance with the provisions of the letter or by giving to the other party no less than three months' prior notice in writing. Pursuant to the letter of appointment, Ms. Cui is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Ms. Cui is entitled to a monthly remuneration of RMB35,000 as an independent non-executive Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months prior to the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

The basic annual salary of the existing Directors are as follows:

Name	Annual salary
Mr. Weng Chengyi	RMB1,105,452
Mr. Yu Tieming	N/A
Mr. Liu Yi	N/A
Mr. Fung Edwin	RMB420,000
Mr. Chen Wen	RMB420,000
Ms. Cui Bai	RMB420,000

The remunerations (including fees, salaries, discretionary bonuses, share-based payment expenses, retirement benefit scheme contributions and other employee benefits) paid to the Directors in aggregate for the financial years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 were approximately RMB34.17 million, RMB25.55 million, RMB16.12 million and RMB1.15 million, respectively.

Under arrangement currently in force, the remunerations (including fees, discretionary bonuses, share-based payment expenses, retirement benefit scheme contributions and other employee benefits) paid to the Directors in aggregate for the financial year ending 31 December 2025 is estimated to be approximately RMB2.45 million.

Save as disclosed above, (i) as at the Latest Practicable Date, no other payments have been paid or are payable, by the Group to the Directors; (ii) no emoluments have been paid for the financial years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2025 by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office; and (iii) none of the Directors waived or agreed to waive any remuneration for the financial years ended 31 December 2022, 2023 and 2024 and six months ended 30 June 2025.

7.2 Proposed Directors upon the Merger Closing

As at the Latest Practicable Date, none of the Proposed Directors (other than Mr. Yu Tieming (being an existing non-executive Director and the Remaining Director) and Mr. Chen Wen (being an existing independent non-executive Director and designated by the Target to be re-appointed as an independent non-executive Director following the Merger Closing)) had entered into any service contract or letter of appointment with the Company, or any of its subsidiaries or associated companies. The Company intends to enter into (for executive Directors) a service contract and (for non-executive Directors and independent non-executive Directors) a letter of appointment with each of the proposed Directors (including Mr. Yu Tieming and Mr. Chen Wen) upon the Merger Closing for an initial term of three years commencing from the Merger Closing Date, and renewable automatically thereafter for successive periods of three years until terminated by giving to the other party no less than three months' prior notice in writing. Each of such Proposed Directors is subject to retirement by rotation and re-election in accordance with the Articles.

As at the Latest Practicable Date, none of the Proposed Directors had entered into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the relevant member of the Enlarged Group within one year without payment of compensation other than statutory compensation).

Under the proposed arrangements and on the assumption that the proposed Directors will be appointed with effect from the Merger Closing, the aggregate remuneration (excluding any possible payment of discretionary bonus and equity-settled share-based payment expense) estimated to be payable by the Enlarged Group to the proposed Directors for the financial year ending 31 December 2025 will be approximately RMB5.91 million.

7.3 Others

Save for or as provided under the Retention Agreements and the Target Controlling Shareholders Undertaking:

- (i) no benefit (other than statutory compensation) would be given to any existing Director as compensation for loss of office or otherwise in connection with the Proposed Merger and the Whitewash Waiver;
- (ii) there was no agreement or arrangement between any existing Director and any other person which was conditional or dependent upon the outcome of the Proposed Merger and the Whitewash Waiver or otherwise connected with the Proposed Merger and the Whitewash Waiver;
- (iii) there was no material contract entered into by the Mr. Ni in which any existing Director had a material personal interest;
- (iv) none of the existing Director, the Proposed Directors upon the Merger Closing nor any of the experts whose names are listed in the section headed “13. Experts” in this Appendix:
 - a. had any direct or indirect interests in any assets which within the two years immediately preceding the issue of this circular had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; or
 - b. is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group; and
- (v) there was no contract or arrangement subsisting in which any of the existing Director or Proposed Directors upon the Merger Closing was materially interested and which was significant in relation to the businesses of the Enlarged Group taken as a whole.
- (vi) as at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

8. MARKET PRICES

The table below shows the closing price per Share as quoted by the Stock Exchange on (i) the Last Trading Day; (ii) the last day on which trading took place in each of the calendar months during the Relevant Period; and (iii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
28 March 2024	1.24
30 April 2024	1.25
31 May 2024	1.3
28 June 2024	1.14
31 July 2024	1.22
30 August 2024	1.5
12 September 2024 (being the Last Trading Day)	1.65
30 September 2024 ^(Note)	1.65
31 October 2024	1.86
29 November 2024	1.41
31 December 2024	1.73
28 January 2025	1.88
28 February 2025	2.02
31 March 2025	2.09
30 April 2025	2.17
30 May 2025	2.69
30 June 2025	2.42
30 July 2025	2.85
29 August 2025	4.28
30 September 2025	3.93
31 October 2025	2.96
30 November 2025	3.46
2 December 2025 (being the Latest Practicable Date)	3.33

Note: As disclosed in the Announcement, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Friday, 13 September 2024 and was resumed with effect from 9:00 a.m. on Monday, 7 October 2024 after publication of the Announcement.

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the Relevant Period were HK\$5.52 per Share on 3 September 2025, and HK\$1.06 per Share on 3 July 2024.

9. SHARE SCHEMES

9.1 Pre-Existing Company Share Schemes

As at the Latest Practicable Date, the Company had five share schemes, namely, the Pre-IPO Share Option Plan, the Post-IPO Share Option Plan, the 2023 Share Option Plan, the 2021 RSU Plan, the 2023 RSU Plan.

As at the Latest Practicable Date, there were 15,114,957 share options and 3,045,010 RSUs outstanding under the Pre-Existing Company Share Schemes.

The Board has approved to terminate the 2023 Share Option Plan and the 2023 RSU Plan immediately prior to Merger Effective Time to the effect that no further share options and RSUs may be granted under the 2023 Share Option Plan and the 2023 RSU Plan, but all other terms of the 2023 Share Option Plan and the 2023 RSU Plan shall remain in full force and effect. For details of the Proposed Termination of the 2023 Share Schemes, please refer to the section headed “Letter from the Board – Proposed Termination of the 2023 Share Schemes”.

The Pre-IPO Share Option Plan was adopted prior to the listing of the Company (being 19 August 2019). The Pre-IPO Share Option Plan remain subsisting but pursuant to the plan rules and Chapter 17 of the Listing Rules, all share options outstanding thereunder remain valid and exercisable after listing but no further share option should be granted after the listing.

The Post-IPO Share Option Plan and the 2021 RSU Plan were terminated on 27 October 2023, except that all outstanding share options (to the extent not already exercised) granted under the Post-IPO Share Option Plan shall continue to be valid and exercisable in accordance with the terms of the Post-IPO Share Option Plan and the relevant grant agreements, and all unvested restricted share units granted under the 2021 RSU Plan shall continue to be valid and shall vest in accordance with the terms of the 2021 RSU Plan and the relevant grant agreements.

For details of the Pre-IPO Share Option Plan and the Post-IPO Share Option Plan, please refer to the prospectus of the Company dated 23 September 2020. For details of the 2021 RSU Plan, please refer to the announcement of the Company dated 3 June 2021. For details of the 2023 Share Option Plan and the 2023 RSU Plan, please refer to the circular of the Company dated 12 October 2023.

Outstanding share options and RSUs under the Pre-Existing Company Share Schemes

As of the Latest Practicable Date, there were 15,114,957 share options and 3,045,010 RSUs outstanding under the Pre-Existing Company Share Schemes held by a total of 15 grantees. The tables below show the details of the outstanding share options and RSUs under the Pre-Existing Company Share Schemes as of the Latest Practicable Date:

(A) Pre-IPO Share Option Plan

Name	Role	Date of grant	Vesting period ⁽²⁾	Exercise period	Exercise price (per Share)	Outstanding as at the Latest Practicable Date
Dr. Guo	Chief executive officer	30 April 2020	Milestone achievement	10 years from date of grant	US\$0.0002	477,679
Mr. Weng	Executive Director, chief financial officer	16 September 2019	Date of grant – 4.5 years from date of grant	10 years from date of grant	US\$2	220,000
		16 April 2020	Milestone achievement	10 years from date of grant	US\$2	120,000
Total:						817,679

Date of grant	Vesting period ⁽²⁾	Exercise period	Exercise price (per Share)	Outstanding as at the Latest Practicable Date
Employees				
16 September 2019	Date of grant – 4.5 years from date of grant	10 years from date of grant	US\$0.0002	97,889
16 September 2019	Date of grant – 4.5 years from date of grant	10 years from date of grant	US\$2	519,779
16 September 2019	Milestone achievement	10 years from date of grant	US\$0.0002	125
16 April 2020	Milestone achievement	10 years from date of grant	US\$0.0002	518
16 April 2020	Milestone achievement	10 years from date of grant	US\$2	226,000

Date of grant	Vesting period ⁽²⁾	Exercise period	Exercise price (per Share)	Outstanding as at the Latest Practicable Date
16 April 2020	Date of grant – 4 years from date of grant	10 years from date of grant	US\$0.0002	21
31 July 2020	Date of grant – 4 years from date of grant	10 years from date of grant	US\$0.0002	162,500
31 July 2020	Date of grant – 4 years from date of grant	10 years from date of grant	US\$2	1,500,000
31 August 2020	Date of grant – 4 years from date of grant	10 years from date of grant	US\$0.0002	30,000
31 August 2020	Date of grant – 4 years from date of grant	10 years from date of grant	US\$2	60,000
Total				2,596,832

Notes:

- (1) Save as disclosed above, none of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participants with option granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.
- (2) The share options are vested based on the grantees' performance or milestone achievement. For those share options vested based on grantees' performance, the respective vesting period is listed in the above table. For those share options vested based on milestone achievement, the options shall vest upon achievement of the relevant milestones with respect to the clinical development status, launching status, business development partnering status and/or manufacturing status of the Company's drug candidates.

(B) Post-IPO Share Option Plan

Name	Role	Date of grant	Vesting period ⁽²⁾	Exercise period	Exercise price (per Share)	Outstanding as at the Latest Practicable Date
Dr. Guo	Chief executive officer	25 May 2023	25 May 2024 – 25 May 2027	10 years from date of grant	HKD1.808	1,625,000
		25 May 2023	Milestone achievement	10 years from date of grant	HKD1.808	1,312,500
Mr. Weng	Executive Director, chief financial officer	31 August 2023	2 September 2024 – 2 September 2027	10 years from date of grant	HKD1.5	600,000
Total						3,537,500

Date of grant	Vesting period ⁽²⁾	Exercise period	Exercise price (per Share)	Outstanding as at the Latest Practicable Date
Employees				
5 October 2022	Date of entry – 4 years from date of entry	10 years from date of grant	HKD1.728	1,548,000
25 May 2023	25 May 2024 – 30 July 2024	10 years from date of grant	HKD1.808	1,300,000
25 May 2023	25 May 2024 – 25 May 2026	10 years from date of grant	HKD1.808	546,000
25 May 2023	25 May 2024 – 25 May 2027	10 years from date of grant	HKD1.808	853,125
25 May 2023	Milestone achievement	10 years from date of grant	HKD1.808	980,000
31 August 2023	2 September 2024 – 2 September 2027	10 years from date of grant	HKD1.500	927,360
Total				6,154,485

Notes:

- (1) Save as disclosed above, none of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participants with option granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.
- (2) The options are vested based on the grantees' performance or milestone achievement. For those options vested based on grantees' performance, the respective vesting period is listed in the above table. For those options vested based on milestone achievement, the options shall vest upon the first anniversary of the date of grant or achievement of the relevant milestones with respect to the clinical development status, launching status, business development partnering status and/or manufacturing status of the Company's drug candidates, whichever is later.

(C) 2023 Share Option Plan

Name	Role	Date of grant	Vesting period ⁽²⁾	Exercise period	Exercise	Outstanding as
					price (per Share)	at the Latest Practicable Date
Dr. Guo	Chief executive officer	31 August 2023 ⁽³⁾	2 September 2024 – 2 September 2027	10 years from the relevant date of vesting of the options	HK\$1.50	1,813,193
		31 August 2023 ⁽³⁾	Milestone achievement	10 years from the relevant date of vesting of the options	HK\$1.50	195,268
Total						2,008,461

Notes:

- (1) Save as disclosed above, none of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participants with share options granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with share options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.
- (2) The share options are vested based on the grantees' performance or milestone achievement. For those share options vested based on the grantees' performance, the respective vesting period is listed in the above table. For those share options vested based on milestone achievement, the share options shall vest upon achievement of the relevant milestones with respect to the clinical development status, launching status, business development partnering status and/or manufacturing status of the Company's drug candidates.
- (3) The grant of the share options was approved by the Board on 31 August 2023 and approved by the Shareholders at the extraordinary general meeting held on 27 October 2023.

(D) 2021 RSU Plan

Name	Role	Date of grant	Vesting period ⁽²⁾	Outstanding as at the Latest Practicable Date
Mr. Weng	Executive Director, chief financial officer	31 August 2023	2 September 2024 – 2 September 2027	210,000
Total				210,000

Date of grant	Vesting period ⁽²⁾	Outstanding as at the Latest Practicable Date
Employees		
5 October 2022	Date of entry – 4 years from date of entry	184,750
25 May 2023	25 May 2024 – 25 May 2026	136,500
25 May 2023	25 May 2024 – 25 May 2027	365,625
25 May 2023	Milestone achievement	78,750
31 August 2023	2 September 2024 – 2 September 2027	332,760
Total		1,098,385

Notes:

- (1) None of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participants with share options granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with share options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.
- (2) The RSUs are vested based on the grantees' performance or milestone achievement. For those RSUs vested based on grantees' performance, the respective vesting period is listed in the above table. For those RSUs vested based on milestone achievement, the RSUs shall vest upon the first anniversary of the date of grant or achievement of the relevant milestones with respect to the clinical development status, launching status, business development partnering status and/or manufacturing status of the Company's drug candidates, whichever is later.

(E) 2023 RSU Plan

Name	Role	Date of grant	Vesting period ⁽²⁾	Outstanding as at the Latest Practicable Date
Dr. Guo	Chief executive officer	31 August 2023 ⁽³⁾	2 September 2024 – 2 September 2027	1,368,250
		31 August 2023 ⁽³⁾	Milestone achievement	368,375
Total				1,736,625

Notes:

- (1) Save as disclosed above, none of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participants with share options granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with share options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.
- (2) The RSUs are vested based on the grantees' performance or milestone achievement. For those RSUs vested based on the grantees' performance, the respective vesting period is listed in the above table. For those RSUs vested based on milestone achievement, the RSUs shall vest upon achievement of the relevant milestones with respect to the clinical development status, launching status, business development partnering status and/or manufacturing status of the Company's drug candidates.
- (3) The grant of RSUs was approved by the Board on 31 August 2023 and approved by the Shareholders at the extraordinary general meeting held on 27 October 2023.

Assuming that (a) the total number of issued Shares immediately upon Merger Closing is 2,301,428,536 Shares, and (b) none of the Converted Options under the One-off Share Option Plan (if its adoption is approved by the Shareholders at the EGM) has been vested and exercised, if all share options and RSUs under the Pre-Existing Company Share Schemes outstanding as at the Latest Practicable Date have been fully vested and exercised, the shareholding of our Shareholders upon the completion of the Proposed Merger will be diluted by approximately 0.79% of the enlarged issued share capital. As our Group incurred losses for the year ended 31 December 2024, the dilutive potential Shares issued as a result of the vesting and/or exercise of the outstanding share options under the Pre-Existing Company Share Schemes were not included in the calculation of diluted loss per Share as their inclusion would be anti-dilutive. Accordingly, diluted loss per Share for the year ended 31 December 2024 was the same as basic loss per Share for the same period.

9.2 Target Share Option Scheme

Summary of key terms

The following is a summary of the principal terms of the Target Share Option Scheme as approved and adopted by the resolution of the Target Directors dated 31 July 2020 (“**Adoption Date**”) and by the resolutions of the Target Shareholders dated 31 July 2020, as amended and restated by the resolutions of the Target Directors and the resolutions of the Target Shareholders on 30 October 2020 and as amended and restated by the resolutions of the Target Directors on 3 September 2024 and the resolutions of the Target Shareholders on 9 September 2024 and 20 August 2025 respectively. The Target Share Option Scheme will be replaced in its entirety by the One-off Share Option Plan as stipulated under the Merger Agreement.

(a) Purpose

The purpose of the Target Share Option Scheme is to enable the Target to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Target Group.

(b) Who may join

Eligible participants means any person belonging to any of the following classes of persons (the “**Eligible Participants**”):

- (i) any full-time employees of the Target Group or any of the company in which the Target or any subsidiary has any equity interest (“**Invested Entity**”);
- (ii) any non-executive directors of the Target Group or any of the Invested Entities but excluding any independent non-executive directors;
- (iii) any executive directors of any controlling shareholders of the Target; and
- (iv) any person who in the sole opinion of the board of the Target Directors, will contribute or has contributed to the Target and/or any of the subsidiaries, including but not limited to any consultants, distributors, contractors, suppliers, agents, customers and business partners of the Target Group.

The Target Share Options under the Target Share Option Scheme can be granted to any company wholly owned by one or more Eligible Participants, or any discretionary trust where any eligible participant is a discretionary object.

(c) Duration and control of the Target Share Option Scheme

The Target Share Option Scheme shall be valid and effective for a period commencing on the Adoption Date and ending immediately prior to the Merger Closing Date (both dates inclusive). Any Target Share Option granted under this scheme shall become exercisable after the Merger Closing Date after which no further Target Share Options shall be granted under this scheme but the provisions of this scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise and convention of any Target Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of this scheme and Target Share Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this scheme.

In respect of a Target Share Option, the period to be notified by the board of the Target Directors to each Target Share Option Scheme Grantee within which the Target Share Option may be exercisable (“**Target Share Option Period**”) shall not exceed a period of 10 years commencing on the date upon which such Target Share Option is deemed to be granted and accepted in accordance with paragraph (d) (“**Commencement Date**”).

This scheme shall be subject to the administration of the board of the Target Directors, or Mr. Ni or other officer or director designated by the board of the Target Directors (the “**Administrator**”) whose decision as to all matters arising in relation to this scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties subject to the prior receipt of a statement in writing from the auditors or the approved independent financial adviser if and as required by paragraph (i) below.

Subject to applicable laws and the provisions of this scheme (including any other powers given to the Administrator hereunder), and except as otherwise provided by the board of the Target Directors, the Administrator shall have the authority, in its discretion:

- (i) to construe and interpret the terms of this scheme and Target Share Options granted pursuant to this scheme; and
- (ii) to take such other action, not inconsistent with the terms of this scheme, as the Administrator deems appropriate.

(d) Target Share Options

The board of the Target Directors shall, subject to and in accordance with the provisions of this scheme and the Listing Rules, be entitled, but shall not be bound, at any time, to offer to grant a Target Share Option to any eligible participant whom the board of the Target Directors may in its absolute discretion select and subject to such conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit.

If the board of the Target Directors determines to offer a Target Share Option to an eligible participant, the Target shall deliver a written offer notice (including, for the avoidance of doubt, by way of an e-mail) (the “**Offer Notice**”) to the relevant Eligible Participant in such form as the Target may deem appropriate.

A Target Share Option shall be deemed to have been granted to and accepted by the Target Share Option Scheme Grantee and to have taken effect when (a) the Offer Notice has been duly delivered to the Eligible Participant; and (b) the Target Share Option to which the Offer Notice related has been duly accepted by the Eligible Participant in writing (including, for the avoidance of doubt, by way of an e-mail), provided that a remittance or payment in favour of the Target of HK\$1.00 (or in an equivalent amount in RMB) by way of consideration for the grant thereof is received by the Target on or before the relevant acceptance date (or such other later time agreed by the Target). Such remittance or payment shall in no circumstances be refundable.

Any offer to grant a Target Share Option may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of one board lot for dealing in shares on the Stock Exchange or an integral multiple thereof or such other number as agreed by the board of the Target Directors and such number is clearly stated in the written response constituting acceptance of the option in the manner as set out in this paragraph. To the extent that the offer to grant an option is not accepted by the acceptance date, it shall be deemed to have been irrevocably declined unless otherwise agreed by the Target.

The Target Share Options shall not be listed or dealt with on the Stock Exchange.

A Target Share Option and an offer to grant an option shall be personal to the Target Share Option Scheme Grantee and shall not be transferable or assignable, save and except for any transfer of option pursuant to paragraph (f) of this scheme or any transfer of option which is otherwise approved by the board of Target Directors. Save as otherwise provided in this paragraph, no Target Share Option Scheme Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him/her or any offer relating to the grant of a Target Share Option made to him/her or attempt to do so (save that the Target Share Option Scheme Grantee may nominate a nominee in whose name the Shares issued pursuant to this scheme may be registered). If the Target Share Option Scheme Grantee is a company or a discretionary trust, such Target Share Option Scheme Grantee shall undertake to the Target that it will not permit any change of the ultimate beneficial ownership of such Target Share Option. Any breach of the foregoing shall entitle the Target to cancel any outstanding Target Share Options or any part thereof granted to such Target Share Option Scheme Grantee.

For the avoidance of doubt, any holder of Target Share Options transferred pursuant to the terms of this scheme shall be subject to the same terms and conditions of the offer to grant a Target Share Option extended to the initial Target Share Option Scheme Grantee including but not limited to the exercise price of the Target Share Option.

(e) Exercise Price

The exercise price in relation to each Target Share Option offered to an eligible participant shall, subject to the adjustments referred to in paragraph (i), be a price representing not less than US\$0.1 per Target Share or the par value of a Target Share (whichever is higher).

Subject to applicable laws, the Target Share Option Scheme Grantee is entitled to choose the following type of consideration to be paid for the Target Shares to be issued upon exercise of Target Share Options under this scheme:

- (i) cash;

- (ii) payment through a broker-dealer sale and remittance procedure pursuant to which the Target Share Option Scheme Grantee (a) shall provide written instructions to a Target designated brokerage firm to effect the immediate sale of some or all of the purchased Target Shares and remit to the Target sufficient funds to cover the aggregate exercise price payable for the purchased Target Shares and (b) shall provide written directives to the Target to deliver the certificates for the purchased Target Shares directly to such brokerage firm in order to complete the sale transaction; or
- (iii) any combination of the foregoing methods of payment.

(f) Exercise of Target Share Options

Subject to the paragraphs below, a Target Share Option shall be personal to the Target Share Option Scheme Grantee and shall not be assignable and no Target Share Option Scheme Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do, and shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in one board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof or such other number as agreed by the board of the Target Directors, by the Target Share Option Scheme Grantee by giving notice in writing to the Target stating that the option is thereby exercised and the number of Target Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment and/or such other written instructions and directives as provided under paragraph (e) (where applicable) for the full amount of the exercise price for the Target Shares in respect of which the notice is given. Within 10 business days after receipt of the notice and the remittance or payment and/or such other written instructions and directives as provided under paragraph (e) (where applicable), and, where appropriate, receipt of the certificate by the auditors or the approved independent financial adviser as the case may be pursuant to paragraph (i), the Target shall allot and issue the relevant number of Target Shares to the Target Share Option Scheme Grantee credited as fully paid and issue to the Target Share Option Scheme Grantee certificates in respect of the Target Shares so allotted.

Each of the Target Share Option Scheme Grantees to whom an option has been granted under this scheme shall be entitled to exercise his/her Target Share Options in the following manner:

- (i) up to 25% of the Target Shares that are subject to the Target Share Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the first anniversary of the commencement date of the listing of the Target Shares on the Main Board (“**Commencement Date**”) and ending on the second anniversary of the Commencement Date;

- (ii) up to 50% of the Target Shares that are subject to the Target Share Option so granted to him/her (rounded down to the nearest whole number) less the number of Target Shares in respect of which the Target Share Option has been exercised at any time during the period commencing from the second anniversary of the Commencement Date and ending on the third anniversary of the Commencement Date;
- (iii) up to 75% of the Target Shares that are subject to the Target Share Option so granted to him/her (rounded down to the nearest whole number) less the number of Target Shares in respect of which the Target Share Option has been exercised at any time during the period commencing from the third anniversary of the Commencement Date and ending on the fourth anniversary of the Commencement Date; and
- (iv) up to 100% of the Target Shares that are subject to the Target Share Option so granted to him/her less the number of Target Shares in respect of which the Target Share Option has been exercised at any time during the period commencing from the fourth anniversary of the Commencement Date and ending on the expiry of the Target Share Option Period.

The exercise of any Target Share Option shall be subject to the Target Shareholders in general meeting approving any necessary increase in the authorised share capital of the Target (if applicable).

Subject as hereinafter provided, a Target Share Option may be exercised by a Target Share Option Scheme Grantee at any time during the Target Share Option Period provided that:

- (i) in the event of the Target Share Option Scheme Grantee ceasing to be an eligible participant by reason of the expiration of his employment contract without renewal, retirement, internal reorganisation of the Target, or in the case of a Target Share Option Scheme Grantee who is a director of the Target, ceasing to hold the office of director other than by reason of the termination of his/her relationship with the Target and/or any of the subsidiaries and/or any of the Invested Entities on one or more of the grounds specified in paragraph (g)(iii), the Target Share Option Scheme Grantee may exercise the Target Share Option up to his/her entitlement at the date of cessation of being an eligible participant (to the extent not already exercised, excluding the Target Share Options which have not become exercisable pursuant to this paragraph (f) hereof) (such Target Share Options, the “**Non-exercisable Target Share Options**”) within the period of three months (or such longer period as the board of the Target Directors may determine) following the date of such cessation (which date shall be, in relation to a Target Share Option Scheme Grantee who is an eligible participant by reason of his/her employment with the Target or any of the subsidiaries, the last actual working day with the Target or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not) and upon expiry of the said three-month period (or such longer period as the board of Target Directors may determine), any outstanding Target Share Options (including any Non-exercisable Target Share Options, if applicable) granted to the Target Share Option Scheme Grantee to the extent

not already exercised shall be automatically lapsed, or be transferred, if otherwise decided by the board of Target Directors, to any other Eligible Participant designated by the board of Target Directors from time to time at HK\$1.00 (or in an equivalent amount in RMB); and

- (ii) in the case of the Target Share Option Scheme Grantee ceasing to be an Eligible Participant by reason of death and none of the events which would be a ground for termination of his/her relationship with the Target and/or any of the subsidiaries and/or any of the Invested Entities under paragraph (g) has occurred, the personal representative(s) of the Target Share Option Scheme Grantee shall be entitled within a period of 12 months (or such longer period as the board of Target Directors may determine) from the date of his/her death or such other period to be determined by the board of Target Directors from time to time to exercise the Target Share Options in full (to the extent not already exercised, excluding any Non-exercisable Target Share Options and upon expiry of the said 12-month period (or such longer period as the board of the Target Directors may determine), all outstanding Target Share Options (including any Non-exercisable Target Share Options, if applicable) granted to the Target Share Option Scheme Grantee to the extent not already exercised shall be automatically lapsed or be transferred, if otherwise decided by the board of Target Directors, to any other eligible participant designated by the board of Target Directors from time to time at HK\$1.00 (or in an equivalent amount in RMB).

Notwithstanding the above or paragraph (g)(iii) hereof, the board of Target Directors shall, upon occurrence of any events mentioned in paragraph above or paragraph (g)(iii) hereof, have the sole discretion to determine (a) whether or not to retain (in full or in part) the Non-exercisable Target Share Options of any Target Share Option Scheme Grantee (such retained Target Share Options, the “**Retained Target Share Options**”); and/or (b) the manner in accordance with which the outstanding Target Share Options (including the Retained Target Share Options, if applicable) held by such Target Share Option Scheme Grantee shall be exercised, provided that paragraph (e) this scheme and the Scheme Limit (as defined below) will continue to be complied with.

No dividends shall be payable in relation to the Target Shares that are the subject of Target Share Options that have not been exercised. The Target Shares to be allotted upon the exercise of a Target Share Option shall not carry voting rights until completion of the registration of the Target Share Option Scheme Grantee (or such other person nominated by the Target Share Option Scheme Grantee) as the holder thereof. Subject as aforesaid, the Target Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the articles of the Target and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Target as attached to the fully-paid Target Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of the Target and rights in respect of any dividend or other distributions paid or made on or after the

date of issue. Target Shares issued on the exercise of a Target Share Option shall not rank for any rights attaching to Target Shares by reference to a record date preceding the date of allotment.

(g) Lapse of Target Share Option

A Target Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry date relevant to that Target Share Option;
- (ii) the date of commencement of the winding-up of the Target (as determined in accordance with the Cayman Companies Act);
- (iii) the date on which the Target Share Option Scheme Grantee ceases to be an eligible employee for any reason or on any ground, including the Target Share Option Scheme Grantee's voluntary resignation, dismissal, or any other circumstances resulting in the Target Share Option Scheme Grantee no longer being an eligible employee; and
- (iv) the date on which the Target Share Options are cancelled in accordance with paragraph (d) or paragraph (l).

(h) Maximum number of Target Shares

The maximum number of Target Shares in respect of which Target Share Options may be granted is 68,750,000 Target Shares ("**Scheme Limit**"). Target Share Option lapsed and/or cancelled in accordance with the terms of this scheme shall not be counted for the purpose of calculating the Scheme Limit, and the number of Target Shares of which Target Share Options may be granted under this scheme shall be increased by the same number of Target Share Options lapsed and/or cancelled.

Subject to the above, the number of Target Share Option and Target Shares subject to this scheme can be adjusted according to paragraph (i) in case that the auditors or the approved independent financial adviser, which shall act as experts and not arbitrators, shall certify in writing to the board of the Target Directors that any such alterations, in their opinion, are fair and reasonable.

(i) Capital Restructuring and Corporate Transaction

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division, consolidation of shares, or reduction of capital of the Target in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Target as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Target Shares subject to any outstanding Target Share Options so far as unexercised;
- (ii) the exercise price; and/or
- (iii) the Scheme Limit.

As the auditors or the approved independent financial adviser shall at the request of the Target or any Target Share Option Scheme Grantee, certify in writing either generally or as regards any particular Target Share Option Scheme Grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a Target Share Option Scheme Grantee shall have the same proportion of the equity capital of the Target (as interpreted in accordance with the guidance letter or similar document issued by Stock Exchange from time to time (the “**Guidance**”)) as that to which he/she was entitled to subscribe had he/she exercised all the Target Share Options held by him/her immediately before such adjustments and the aggregate exercise price payable by a Target Share Option Scheme Grantee on the full exercise of any Target Share Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Target Share to be issued at less than its nominal value. The capacity of the auditors or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Target and the Target Share Option Scheme Grantees. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules, the Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

In respect of any adjustments required by paragraph above, other than any made on a capitalisation issue, the auditors or the approved independent financial adviser, as the case may be, shall confirm to the board of the Target Directors in writing that the adjustments satisfy the requirements set out in the Listing Rules and the note thereto and the Guidance and/or such other requirement prescribed under the Listing Rules from time to time (as applicable).

Except as provided otherwise in any other written agreement between the Target and a Target Share Option Scheme Grantee, in the event of a corporate transaction as defined in accordance with the Target Share Option Scheme, each Target Share Option can be assumed or replaced immediately prior to the specified effective date of such corporate transaction, as may be determined by the Administrator pursuant to the Target Share Option Scheme.

(j) Alteration of the Target Share Option Scheme

The terms and conditions of this scheme and the regulations for the administration and operation of this scheme (provided that the same are not inconsistent with this scheme and the Listing Rules) may be altered in any respect by resolution of the board of the Target Directors except that:

- (i) any alteration to the advantage of the Target Share Option Scheme Grantees or the Eligible Participants (as the case may be) in respect of the key terms of this scheme;
- (ii) any material alteration to the terms and conditions of this scheme or any change to the terms of Target Share Options granted (except any alterations which take effect automatically under the terms of this scheme); or
- (iii) any amendment to the powers of the board of the Target Directors to alter the terms of the Target Share Option Scheme, must be made with the prior approval of the Target Shareholders at general meeting provided that no alteration shall operate to affect adversely the terms of issue of any Target Share Option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Target Share Option prior to such alteration except with: the consent in writing of Target Share Option Scheme Grantees holding in aggregate Target Share Options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Target Shares which would fall to be issued upon the exercise of all Target Share Options outstanding on that date.

Written notice of any alterations made in accordance with this paragraph shall be given to all Target Share Option Scheme Grantees.

In respect of any meeting of Target Share Option Scheme Grantees referred to in paragraph above, all the provisions of articles of the Target as to general meetings of the Target shall *mutatis mutandis* apply as though the Target Share Options were a class of shares forming part of the capital of the Target except that:

- (i) not less than seven days' notice of such meeting shall be given;
- (ii) a quorum at any such meeting shall be two Target Share Option Scheme Grantees present in person or by proxy and holding Target Share Options entitling them to the issue of one-tenth in nominal value of all Target Shares which would fall to be issued upon the exercise of all Target Share Options then outstanding unless there is only one Target Share Option Scheme Grantee holding all Target Share Option then outstanding, in which case the quorum shall be one Target Share Option Scheme Grantee;
- (iii) every Target Share Option Scheme Grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Target Share to which he/she would be entitled upon exercise in full of his/her Target Share Options then outstanding;

- (iv) any Target Share Option Scheme Grantee present in person or by proxy may demand a poll; and
- (v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than fourteen days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Target Share Option Scheme Grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Target Share Option Scheme Grantees who are then present in person or by proxy shall form a quorum.

(k) Termination of the Target Share Option Scheme

The Target Shareholders or the board of the Target Directors may at any time resolve to terminate the operation of this scheme and in such event no further Target Share Options shall be offered but the provisions of this scheme shall remain in force to the extent necessary to give effect to the exercise of any Target Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of this scheme and Target Share Options granted prior to such termination shall continue to be valid and exercisable in accordance with this scheme.

Details of the Target Share Options granted, including Target Share Options exercised or outstanding, under this scheme shall be disclosed in the circular to Target Shareholders seeking approval of the new scheme established after the termination of this scheme.

(l) Cancellation of Target Share Options

The board of the Target Directors shall be entitled, at any time, to cancel any Target Share Options granted but not yet exercised. For the avoidance of doubt, approval of the board of the Target Directors is not required in the event any Target Share Option is cancelled pursuant to paragraph (d) above.

(m) Outstanding Target Share Options

As of the date of this circular, the outstanding Target Share Options granted but not yet exercised for an aggregate of 64,160,180 Target Shares had been granted to a total of 124 Eligible Participants by the Target. Upon acceptance of the Target Share Options, the Target Share Option Scheme Grantee shall pay HK\$1 to the Target as consideration for the grant of Target Share Options.

At the Merger Effective Time, all outstanding Target Share Options will be automatically cancelled and lapse in accordance with the Merger Agreement. In order to provide a fair treatment to the Target Share Option Scheme Grantees and to continue to

recognise their contribution or potential contribution to the Enlarged Group following the Merger Closing, the Company proposes to adopt the One-off Share Option Plan. Each Target Share Option will be automatically converted into comparable Converted Options under the One-off Share Option Plan entitling the holder thereof to subscribe for Shares. For the details of the One-off Share Option Plan, see “– 9.3 One-off Share Option Plan” below.

The table below shows, as of the date of this circular, the details of the outstanding Target Share Options and comparable outstanding Converted Options granted or to be granted to Directors, members of the senior management and connected persons of the Company and Proposed Directors, members of senior management and connected persons of the Enlarged Group upon the Merger Closing that are outstanding or are expected to be outstanding at the Merger Effective Time.

Name	Address	Position of the Enlarged Group	Exercise Price of Target Share Options (US\$)	Expected Exercise Price of the Converted Options ⁽¹⁾⁽²⁾ (US\$)	Number of Target Shares (after the Target Share Subdivision) underlying the outstanding Target Share Options	Date of grant of the Target Share Options	Expected Number of Shares underlying the outstanding Converted Options under the One-off Share Option Plan ⁽¹⁾⁽²⁾	Approximate percentage of the issued Share capital in our Company underlying the outstanding Converted Options upon the Merger Closing ⁽²⁾
Directors and senior management of the Enlarged Group								
Mr. Ni	Flat D, 8/F Enchantee 247 Tai Kok Tsui Road Kowloon Hong Kong	Chairman, executive Director and president	0.5	0.15	30,675,180	10 June 2023	101,534,846	4.41%
Zhai Jing	Daning Talent Apartment, 712 Lingshi Road, Jing'an District, Shanghai, PRC	Executive Director, senior vice president of business development and joint company secretary	0.5	0.15	1,000,000	10 June 2023	3,310,000	0.14%
Han Shuhua	Room 802, Building 9 Lane 3217, Hunan Road Pudong New Area Shanghai, PRC	Chief scientific officer	0.5	0.15	1,500,000	19 December 2024	4,965,000	0.22%
			0.5	0.15	500,000	10 April 2025	1,655,000	0.07%
			0.5	0.15	500,000	15 October 2025	1,655,000	0.07%
Subtotal					34,175,180		113,119,846	4.92%

APPENDIX VI
STATUTORY AND GENERAL INFORMATION

Name	Address	Position of the Enlarged Group	Exercise Price of Target Share Options (US\$)	Expected Exercise Price of the Converted Options ⁽¹⁾⁽²⁾ (US\$)	Number of Target Shares (after the Target Share Subdivision) underlying the outstanding Target Share Options	Date of grant of the Target Share Options	Expected Number of Shares underlying the outstanding Converted Options under the One-off Share Option Plan ⁽¹⁾⁽²⁾	Approximate percentage of the issued Share capital in our Company underlying the outstanding Converted Options upon the Merger Closing ⁽²⁾
Connected persons of the Enlarged Group								
Ni Yuan (倪苑)	4B, Kaixinyuan, No. 755, Xinhua Road, Changning District, Shanghai, PRC	Commercial and operations director	0.5	0.15	400,000	10 June 2023	1,324,000	0.06%
			0.2	0.06	100,000		331,000	0.01%
Zhu Ronghai (朱容海)	11-B-1202, Xintiandi Garden, Changzhou City, Jiangsu Province, PRC	Finance analysis and control manager	0.5	0.15	200,000	10 June 2023	662,000	0.03%
Chen Yang (陳陽)	Room 402, Building 12, Aoyun Garden, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC	Vice president of production operations	0.5	0.15	900,000	10 June 2023	2,979,000	0.13%
Subtotal					1,600,000		5,296,000	0.23%
Other 118 employees (including former employees)			0.2	0.06	150,000	30 October 2020	496,500	0.02%
			0.5	0.15	200,000		662,000	0.03%
			0.5	0.15	275,000	20 April 2021	910,250	0.04%
			0.1	0.03	75,000	10 June 2023	248,250	0.01%
			0.2	0.06	300,000		993,000	0.04%
			0.5	0.15	5,705,000	25 June 2021	18,883,550	0.82%
			0.5	0.15	1,725,000		5,709,750	0.25%
			0.5	0.15	8,855,000	19 December 2024	29,310,050	1.27%
			0.5	0.15	1,650,000	10 April 2025	5,461,500	0.24%
			0.5	0.15	8,250,000	15 October 2025	27,307,500	1.19%
			0.5	0.15	1,200,000	30 November 2025	3,972,000	0.17%
Subtotal					28,385,000		93,954,350	4.08%
Total					64,160,180		212,370,196	9.23%

Notes:

1. The Converted Options shall entitle the holder to subscribe for such number of Shares equal to the product of (a) the number of Target Shares issuable pursuant to the outstanding Target Share Option held by such holder immediately prior to the Merger Effective Time *multiplied* by (b) the Share Exchange Ratio (such number of Shares shall be rounded up to the nearest whole Share). The exercise price for each Converted Option shall be equal to the quotient obtained by *dividing* (x) the exercise price of each Target Share Option by (y) the Share Exchange Ratio (such exercise price shall be rounded up to the nearest whole cent).
2. Calculated based on the Presumed Maximum Share Exchange Ratio, assuming that there is no Taxable Target Shareholder.
3. The exercise period of each Converted Option granted under the One-off Share Option Plan shall commence from the first anniversary of the Merger Closing Date and end on the expiry of the Option Period, during which the grantees may exercise options subject to the exercise schedule under the One-off Share Option Plan. Please refer to “– 9.3 One-off Share Option Plan – (f) Exercise of Converted Options” below for the exercise period of the above Converted Options under the One-off Share Option Plan.

9.3 One-off Share Option Plan

As set out in the section headed “Letter from the Board – Proposed Adoption of the One-off Share Option Plan”, the Company proposed to adopt the One-off Share Option Plan, summary of the rules of which are as follows:

(a) Purpose

The purposes of the One-off Share Option Plan are to provide a fair treatment to the Target Share Option Scheme Grantees whose outstanding Target Share Option Scheme will be automatically cancelled and lapse upon Merger Effective Time pursuant to the Merger Agreement and to continue to recognise their contribution or potential contribution to the Enlarged Group following the Merger Closing. Pursuant to the rules governing the Target Share Option Scheme, at the Merger Effective Time, each Target Share Option can be assumed by and replaced with a comparable option of the Company which preserves the compensation element of such Target Share Option existing immediately prior to the Merger Effective Time in accordance with the same (or more favourable) exercise schedule to such Target Share Option.

(b) Eligible participants

Any person belonging to any of the following classes of persons holding outstanding Target Share Options immediately prior to the Merger Effective Time shall be an eligible participant under the One-off Share Option Plan:

- (1) any full-time employees of the Enlarged Group or any of the company in which any member of the Enlarged Group has any equity interest (an “**Invested Entity**”);
- (2) any non-executive directors of the Enlarged Group or any of the Invested Entities but excluding any independent non-executive directors;
- (3) any executive directors of any controlling Shareholders; and

- (4) any person who in the sole opinion of the Board, will contribute or has contributed to any member of the Enlarged Group, including but not limited to any consultants, distributors, contractors, suppliers, agents, customers and business partners of the Enlarged Group.

The Converted Options under the One-off Share Option Plan can be granted to any company wholly-owned by one or more eligible participants, or any discretionary trust where any eligible participant is a discretionary object.

To the best knowledge and belief of the Target, none of the Target Share Option grantees had notified the Target that he/she held any Shares in the Company as at the Latest Practicable Date.

(c) Duration and control of the One-off Share Option Plan

If approved by the Shareholders at the EGM, the One-off Share Option Plan shall be valid and effective on the adoption date (i.e. the date of the EGM) and at the Merger Effective Time, the Converted Options shall be granted under such plan to assume the relevant comparable Target Share Option. Any Converted Option granted under the One-off Share Option Plan shall become exercisable after the Merger Closing Date after which no further Converted Options shall be granted under the One-off Share Option Plan but the provisions of the One-off Share Option Plan shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any Converted Options granted prior thereto or otherwise as may be required in accordance with the provisions of the One-off Share Option Plan and Converted Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the One-off Share Option Plan.

In respect of a Converted Option, the period to be notified by the Board to each grantee within which the Converted Option may be exercisable (the “**Option Period**”) shall not exceed a period of ten (10) years commencing on the date upon which such Converted Option is deemed to be granted and accepted in accordance with paragraph (d) below.

The One-off Share Option Plan shall be subject to the administration of the Board, or the administrator (i.e. Mr. Ni) whose decision as to all matters arising in relation to the One-off Share Option Plan or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties subject to the prior receipt of a statement in writing from the auditors or the approved independent financial adviser if and as required by paragraph (i) below.

Subject to applicable laws and the provisions of the One-off Share Option Plan (including any other powers given to the administrator), and except as otherwise provided by the Board, the administrator shall have the authority, in its discretion:

- (1) to construe and interpret the terms of the One-off Share Option Plan and Converted Options granted pursuant to the One-off Share Option Plan; and
- (2) to take such other action, not inconsistent with the terms of the One-off Share Option Plan, as the administrator deems appropriate.

(d) Converted Options

For the purpose of the execution and consummation of the transaction as stipulated under the Merger Agreement, the One-off Share Option Plan shall succeed and replace the Target Share Option Scheme in its entirety. All Target Share Options previously granted under the Target Share Option Scheme and outstanding immediately prior to the Merger Effective Time shall be deemed to have been granted to and accepted by the corresponding grantees of such Target Share Options pursuant to the One-off Share Option Plan upon the Merger Effective Time and corresponding Target Share Options shall be cancelled and lapse simultaneously.

Upon the Merger Closing, the terms and conditions applicable to such Target Share Options (including but not limited to the expiry date, vesting conditions and exercise conditions) as deemed to be automatically granted under the One-off Share Option Plan shall remain the same with those applicable to such Target Share Options under the Target Share Option Scheme immediately prior to the Merger Effective Time, except with respect to the number of Converted Options granted and their respective exercise prices which shall be adjusted strictly in accordance with the adjustment mechanism specified in the Merger Agreement.

The Converted Options shall not be listed or dealt with on the Stock Exchange.

A Converted Option and an offer to grant a Converted Option shall be personal to the grantee and shall not be transferable or assignable, save and except for any transfer of Converted Option pursuant to paragraph (f) below or any transfer of Converted Option which is otherwise approved by the Board. Save as otherwise provided in this paragraph, no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Converted Option held by him/her or any offer relating to the grant of any Converted Option made to him/her or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the One-off Share Option Plan may be registered). If the grantee under the One-off Share Option Plan is a company or a discretionary trust, such grantee shall undertake to the Company that it will not permit any change of the ultimate beneficial ownership of such Converted Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Converted Options or any part thereof granted to such grantee.

For the avoidance of doubt, any holder of Converted Options transferred pursuant to the terms of the One-off Share Option Plan shall be subject to the same terms and conditions of the offer to grant a Converted Option extended to the initial grantee including but not limited to the exercise price of the Converted Option.

(e) Exercise price

The exercise price in relation to each Converted Option offered to an eligible participant shall, subject to the adjustments referred to in paragraph (i) below, be a price representing not less than the par value of a Share.

Subject to the applicable laws, the grantee is entitled to choose the following type of consideration to be paid for the Shares to be issued upon exercise of Converted Options under the One-off Share Option Plan:

- (1) cash;
- (2) payment through a broker-dealer sale and remittance procedure pursuant to which the grantee (A) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (B) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction; or
- (3) any combination of the foregoing methods of payment.

Notwithstanding the above, the exercise of the Converted Option shall be subject to all applicable requirements under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules. Specifically, the aforementioned broker-dealer sale shall not be made after inside information (as defined under Part XIVA of the SFO) has come to the knowledge of grantee of the Converted Options, until (and including) the trading day after such inside information has been announced in accordance with the Listing Rules and the SFO. In particular, no such broker-dealer sale shall be made during the following periods:

- (1) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (2) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(f) Exercise of Converted Options

Subject to the paragraphs below, a Converted Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Converted Option or attempt so to do, and shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised on one board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof or such other number as agreed by the Board, by the grantee by giving notice in writing to the Company stating that the Converted Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment and/or such other written instructions and directives as provided under the paragraph

(e) above (where applicable) for the full amount of the exercise price for the Shares in respect of which the notice is given. Within ten (10) Business Days after the receipt of the notice and the remittance or payment and/or such other written instructions and directives, and, where appropriate, receipt of the certificate by the auditors or the approved independent financial adviser as the case may be pursuant to paragraph (i) below, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

Each of the grantees to whom a Converted Option has been granted under the One-off Share Option Plan shall be entitled to exercise his/her Converted Option in the following manner:

- (1) up to 25% of the Shares that are subject to the Converted Option so granted to him/her (rounded down to the nearest whole Share) at any time during the period commencing from the first anniversary of the Merger Closing Date and ending on the second anniversary of the Merger Closing Date;
- (2) up to 50% of the Shares that are subject to the Converted Option so granted to him/her (rounded down to the nearest whole Share) less the number of Shares in respect of which the Converted Option has been exercised at any time during the period commencing from the second anniversary of the Merger Closing Date and ending on the third anniversary of the Merger Closing Date;
- (3) up to 75% of the Shares that are subject to the Converted Option so granted to him/her (rounded down to the nearest whole Share) less the number of Shares in respect of which the Converted Option has been exercised at any time during the period commencing from the third anniversary of the Merger Closing Date and ending on the fourth anniversary of the Merger Closing Date; and
- (4) up to 100% of the Shares that are subject to the Converted Option so granted to him/her less the number of Shares in respect of which the Converted Option has been exercised at any time during the period commencing from the fourth anniversary of the Merger Closing Date and ending on the expiry of the Option Period.

Subject as hereinafter provided, a Converted Option may be exercised by a grantee at any time during the Option Period provided that:

- (1) in the event of the grantee ceasing to be an eligible participant by reason of the expiration of his employment contract without renewal, retirement, internal reorganisation of the Company, or in the case of a Grantee who is a director of the Company, ceasing to hold the office of director other than by reason of the termination of his/her relationship with the Company and/or any of the subsidiaries and/or any of the Invested Entities on one or more of the grounds specified in the paragraph (g)(iii) below, the grantee may exercise the Converted Option up to his/her entitlement at the date of cessation of being an eligible participant (to the extent not already exercised, excluding the Converted Options which have not become exercisable pursuant to this paragraph (f) hereof) (such Converted Options,

the “**Non-exercisable Options**”) within the period of three (3) months (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an eligible participant by reason or his/her employment with the Group, the last actual working day with the Group or the relevant Invested Entity whether salary is paid in lieu of notice or not) and upon expiry of the said three-month period (or such longer period as the Board may determine), any outstanding Converted Options (including any Non-exercisable Options, if applicable) granted to the grantee to the extent not already exercised shall be automatically lapsed, or be transferred, if otherwise decided by the Board, to any other eligible participant designated by the Board from time to time at HK\$1.00 (or in an equivalent amount in RMB); and

- (2) in the case of the grantee ceasing to be an eligible participant by reason of death and none of the events which would be a ground for termination of his/her relationship with the Group and/or any of the Invested Entities under the paragraph (g) below has occurred, the personal representative(s) of the grantee shall be entitled within a period of twelve (12) months (or such longer period as the Board may determine) from the date of his/her death or such other period to be determined by the Board from time to time to exercise the Converted Options in full (to the extent not already exercised, excluding any Non-exercisable Options and upon expiry of the said 12-month period (or such longer period as the Board may determine), all outstanding Converted Options (including any Non-exercisable Options, if applicable) granted to the grantee to the extent not already exercised shall be automatically lapsed or be transferred, if otherwise decided by the Board, to any other eligible participant designated by the Board from time to time at HK\$1.00 (or in an equivalent amount in RMB).

Notwithstanding the above or paragraph (g)(iii) hereof, the Board shall, upon occurrence of any events mentioned in paragraph above or paragraph (g)(iii) hereof, have the sole discretion to determine (a) whether or not to retain (in full or in part) the Non-exercisable Options of any grantee; and/or (b) the manner in accordance with which the outstanding Converted Options (including the retained options as stipulated in (a), if applicable) held by such grantee shall be exercised, provided that paragraph (e) above and the Plan Limit will continue to be complied with.

No dividends shall be payable in relation to the Shares that are the subject of Converted Options that have not been exercised. The Shares to be allotted upon the exercise of a Converted Option shall not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject as aforesaid, the Shares to be allotted upon the exercise of a Converted Option shall be subject to all the provisions of the articles of association of the Company and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distributions paid or made on or after the date of

issue. Shares issued on the exercise of a Converted Option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(g) Lapse of Converted Option

A Converted Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the expiry date relevant to that Converted Option;
- (2) the date of commencement of the winding-up of the Company (as determined in accordance with the Cayman Companies Act);
- (3) the date on which the grantee ceases to be an eligible employee for any reason or on any ground, including the grantee's voluntary resignation, dismissal, or any other circumstances resulting in the grantee no longer being an eligible employee; and
- (4) the date on which the Converted Options are cancelled in accordance with paragraph (d) or paragraph (l).

(h) Maximum number of Shares

The maximum number of Shares in respect of which Converted Options may be granted shall be the maximum number of Shares that will be issued upon exercise of the outstanding Target Share Options pursuant to the adjustment mechanism and relevant terms specified in the Merger Agreement (the "**Plan Limit**"). Further information will be made in the EGM Circular in respect of the Plan Limit based on the then number of outstanding Target Share Options.

As at the date of this circular, 64,160,180 Target Share Options had been granted under the Target Share Option Scheme and remained outstanding. To the best knowledge and belief of the Target, none of the Target Share Option grantees had notified the Target that he/she held any Shares in the Company as at the Latest Practicable Date. Additionally, the Target Share Options (or the Converted Options, following the Merger Closing) may only be exercised by four equal instalments commencing from the first anniversary of the Merger Closing Date subject to the terms and conditions as outlined in the respective grant letters. Consequently, the Target Share Option grantees are not expected to impact the Independent Shareholders' approval at the EGM.

Subject to the above, the number of Converted Option and Shares subject to the One-off Share Option Plan can be adjusted according to paragraph (i) below in case that the auditors or the approved independent financial adviser, which shall act as experts and not arbitrators, shall certify in writing to the Board that any such alterations, in their opinion, are fair and reasonable.

(i) Capital restructuring

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division, consolidation of shares, or reduction of capital of the Company in

accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (1) the number of Shares subject to any outstanding options so far as unexercised;
- (2) the exercise price; and/or
- (3) the Plan Limit.

As the auditors or the approved independent financial adviser shall at the request of the Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the guidance letter of similar document issued by Stock Exchange with respect to all issuers relating to share option schemes from time to time) as that to independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules, the guidance letters issued by the Stock Exchange and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

In respect of any adjustment required by paragraph above, other than any made on a capitalisation issue, the auditors or the approved independent financial adviser, as the case may be, shall confirm to the Board in writing that the adjustments satisfy the requirements set out in the Listing Rules and the note thereto and the guidance letters issued by the Stock Exchange and/or such other requirement prescribed under the Listing Rules from time to time (as applicable).

(j) Alteration of the One-off Share Option Plan

The terms and conditions of the One-off Share Option Plan and the regulations for the administration and operation of the One-off Share Option Plan (provided that the same are not inconsistent with the One-off Share Option Plan and the Listing Rules) may be altered in any respect by resolution of the Board except that:

- (1) any alteration to the One-off Share Option Plan to the advantage of the grantees or the eligible participants;
- (2) any material alteration to the terms and conditions of the One-off Share Option Plan or any change to the terms of the Converted Options granted (except any alterations which take effect automatically under the terms thereof); or
- (3) any amendment to the powers of the Board to alter the terms of the One-off Share Option Plan,

must be made with the prior approval of the Shareholders in general meeting provided that no alteration shall operate to affect adversely the terms of issue of any Converted Option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Converted Option prior to such alteration except with the consent in writing of grantees holding in aggregate Converted Options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all Converted Options outstanding on that date.

Written notice of any alterations to the One-off Share Option Plan shall be given to all grantees.

In respect of any meeting of grantees referred to in the paragraph above, all the provisions of articles of association of the Company as to general meeting of the Company shall mutatis mutandis apply as though the Converted Options were a class of shares forming part of the capital of the Company except that:

- (1) not less than seven (7) days' notice of such meeting shall be given;
- (2) a quorum at any such meeting shall be two grantees present in person or by proxy and holding Converted Options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all Converted Options then outstanding unless there is only one grantee holding all Converted Options then outstanding, in which case the quorum shall be one grantee;
- (3) every grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one (1) vote, and on a poll, to one vote for each Share to which he/she would be entitled upon exercise in full of his/her options then outstanding;
- (4) any grantee present in person or by proxy may demand a poll; and
- (5) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven (7) or more than fourteen (14) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantees who are then present in person or by proxy shall form a quorum.

(k) Termination of the One-off Share Option Plan

The Shareholders or the Board may at any time resolve to terminate the operation of the One-off Share Option Plan and in such event no further Converted Options shall be offered but the provisions of the One-off Share Option Plan shall remain in force to the extent necessary

to give effect to the exercise of any Converted Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the One-off Share Option Plan and Converted Options granted prior to such termination shall continue to be valid and exercisable in accordance with the One-off Share Option Plan.

(l) Cancellation of Converted Options

The Board shall be entitled, at any time, to cancel any Converted Options granted but not yet exercised. For the avoidance of doubt, approval of the Board is not required in the event any Converted Option is cancelled pursuant to paragraph (d) above.

(m) Conditions Precedent of the One-off Share Option Plan

The adoption of the One-off Share Option Plan is conditional upon:

- (a) the passing of all necessary resolution(s) by the Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon exercise of the share options that may be granted under the One-off Share Option Plan.

The One-off Share Option Plan forms part of the arrangements under the Merger Agreement and aims to provide a fair treatment to the Target Share Option Scheme Grantees to convert the Target Share Options into Converted Options upon the Merger Closing. As such, the rules of the One-off Share Option Plan do not contain all the provisions as required under Chapter 17 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Chapter 17 of the Listing Rules.

Other than the conversion of Target Share Options into Converted Options upon the Merger Closing, no further options may be offered, converted or granted but in all other respects the terms of the One-off Share Option Plan shall remain in full force and effect after the Merger Closing. The outstanding options granted pursuant to the One-off Share Option Plan, which remain unvested or which have vested but not yet been exercised or in respect of which Shares not yet issued to the grantees at the time of its termination, shall remain in full force and effect. Assuming that (a) none of the outstanding share options and the unvested RSUs under the Pre-Existing Company Share Schemes has been exercised or vested, and (b) there is no Taxable Target Shareholder, the shareholding of our Shareholders upon the completion of the Proposed Merger will be diluted by approximately 4.59% if the Converted Options under the One-off Share Option Plan has been fully vested and exercised. As our Group incurred losses for the year ended 31 December 2024, the dilutive potential Shares issued as a result of the vesting and/or exercise of the outstanding share options under the One-off Share Option Plan were not included in the calculation of diluted loss per Share as their inclusion would be anti-dilutive. Accordingly, diluted loss per Share for the year ended 31 December 2024 was the same as basic loss per Share for the same period.

The conversion of the Target Share Options into Converted Options shall be construed solely as a continuation and succession pursuant to the terms specified in the Merger Agreement, and does not constitute a new grant of options under the One-off Share Option Plan.

As of the date of this circular, it is expected that there will be an aggregate of 212,370,196 Shares underlying the outstanding Converted Options converted from the 64,160,180 Target Share Options and to be granted to a total of 124 grantees under the One-off Share Options Plan at the Merger Effective Time. The grant date of such Converted Options shall be the date of the Merger Closing and no more consideration shall be paid for the grant of the Converted Options.

For the details of the expected outstanding Converted Options at the Merger Effective Time, please refer to “– 9.2 Target Share Option Scheme – Summary of key terms – (m) Outstanding Target Share Options” above.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

As at the Latest Practicable Date, no member of the Target Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Target Directors to be pending or threatened against any member of the Target Group.

11. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group’s assets and stakeholders’ interests, as well as for reviewing the effectiveness of the systems. The management has confirmed to the Board and the audit committee of the Company (the “**Audit Committee**”) on the overall effectiveness and adequacy of the risk management and internal control systems. However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, regularly reviews the overall effectiveness of the Company’s risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff, training programs and budget of the Company’s accounting, internal audit, financial reporting functions, as well as those relating to the Company’s ESG performance and reporting, reviewing the effectiveness of the risk management and internal control systems and resolving material internal control defects.

As stated in Note 19(a) to the consolidated financial statement of the Company for the year ended 31 December 2024, in 2024, the Group discovered misappropriation of bank accounts by an ex-employee, who had been transferring out money from the Group's bank accounts without authorisation from 2022 to 2024 (“**Incident**”). The Group has reported to the police, and the case is currently under investigation. Further details are set out in the Company's circular dated 4 February 2025.

In light of the Incident, the Board and the management have, with the assistance of external consultants, reviewed and enhanced its risk management and internal control systems, including but not limited to, the adoption and implementation of (1) a new control policy to ensure segregation of responsibilities, (2) an amended company stamp management policy to ensure proper oversight of stamping process, and (3) an amended cash management policy to maintain proper records of cheque usage and bank accounts.

Furthermore, the Company has taken and will take appropriate additional measures to further improve and enhance its internal control systems and internal audit functions, such as engaging an external professional consulting firm to perform internal audit tests to ensure the effective execution of these remedial controls.

The Company considered that the said remedial measures are sufficient and effective to address and resolve any internal control issues causing the Incident.

12. PRELIMINARY EXPENSES

The Target did not incur any material preliminary expenses.

13. EXPERTS

The following is the name and qualification of the expert who has given its opinion or advice which are contained in this circular:

Name	Qualification
Morgan Stanley Asia Limited	a corporation licensed to conduct 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

Name	Qualification
SPDB International Capital Limited	a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Somerley Capital Limited	a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants Registered Public Interest Entity Auditor
Jingtian & Gongcheng	Legal adviser as to PRC laws
Maples and Calder (Hong Kong) LLP	Legal adviser as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Quam Capital Limited	a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the abovementioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter which is made as of the date of this circular, and/or references to its name in the form and context in which they appear in this circular.

As at the Latest Practicable Date, none of the aforementioned experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

14. MATERIAL CHANGE

The Target Directors confirm that, there had been no material change in the financial or trading position or outlook of the Target Group since 30 June 2025, being the date to which the latest published audited consolidated statements of the Target Group were made up, up to and including the Latest Practicable Date.

The Directors confirm that, save for the following, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2024 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date:

- the Group recorded a decrease in revenue for the ten months ended 31 October 2025, as compared to that of the corresponding period in 2024, mainly attributable to the decrease of revenue from the license and stock purchase agreements with TRC 2004, Inc., which involves a double digit million US dollars upfront payment, as disclosed in the announcement of the Company dated 5 August 2024, recorded in the ten months ended 31 October 2024.

15. MATERIAL CONTRACTS

Save for the Merger Agreement, the Amendment Agreement, the CDK4/6i Outsourcing Management Agreement, the Retention Agreements, the Target Controlling Shareholders Undertaking and the Irrevocable Undertakings, no member of the Group or the Target Group has entered into contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, or the Target or any of its subsidiaries (as the case may be)) within the two years immediately preceding the date of the Announcement until the Latest Practicable Date which are or may be material.

For details of the Merger Agreement, the Amendment Agreement, the CDK4/6i Outsourcing Management Agreement, the Retention Agreements, the Target Controlling Shareholders Undertaking and the Irrevocable Undertakings, please refer to the “Letter from the Board” in this circular.

16. JOINT SPONSORS AND INDEPENDENT FINANCIAL ADVISER

The Joint Sponsors have made the New Listing Application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued in accordance with the Merger Agreement, and the Shares which may fall to be allotted and disused upon exercise of the share options that may be granted under the One-off Share Option Plan. The total fee payable to the Joint Sponsors is US\$3.90 million.

Morgan Stanley Asia Limited, one of the Joint Sponsors, satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules. SPDB International Capital Limited, one of the Joint Sponsors, has declared that as regards its business relationship with the Target Group, it is not and does not expect to be independent on the following basis:

- (a) SPDBI Eagle Limited directly holds 2.61% interest in the Target as at the Latest Practicable Date. SPDBI Eagle Limited, is an exempted company with limited liability and wholly owned by SPDB International (Hong Kong) Limited, which is in turn wholly owned by Shanghai Pudong Development Bank Co., Ltd. SPDB International Capital Limited, one of the Joint Sponsors, is also a subsidiary of Shanghai Pudong Development Bank Co., Ltd.. For details, please see “History, Development and Corporate Structure of the Target Group–Pre-RTO Investments”;
- (b) On April 22, 2025, Eddingpharm (Suzhou) Co., Ltd. (億騰醫藥(蘇州)有限公司) as borrower, Shanghai Pudong Development Bank Co., Ltd. Suzhou Branch as a lender, entered into a facility agreement, pursuant to which Shanghai Pudong Development Bank Co., Ltd. Suzhou Branch as lender provided a RMB70 million loan facility to Eddingpharm (Suzhou) Co., Ltd. (億騰醫藥(蘇州)有限公司). Shanghai Pudong Development Bank Co., Ltd. Suzhou Branch and SPDB International Capital Limited are both subsidiaries of Shanghai Pudong Development Bank Co., Ltd.;
- (c) On June 21, 2025, Maxi Vantage Limited as borrower, Shanghai Pudong Development Bank Co., Ltd., acting through its Hong Kong Branch (a financial institution incorporated under the laws of the People’s Republic of China with limited liability) and Shanghai Pudong Development Bank Co., Ltd. Suzhou Branch as lenders, and Mr. Ni as guarantor, entered into a facilities agreement, pursuant to which Shanghai Pudong Development Bank Co., Ltd., acting through its Hong Kong Branch and Shanghai Pudong Development Bank Co., Ltd. Suzhou Branch provided a loan facility up to an amount of RMB438 million to Maxi Vantage Limited. Shanghai Pudong Development Bank Co., Ltd. Suzhou Branch and SPDB International Capital Limited is a subsidiary of Shanghai Pudong Development Bank Co., Ltd.; and
- (d) On October 21, 2025, the Target as borrower, SPDB International (Hong Kong) Limited as a lender, and Mr. Ni as guarantor, entered into a facility agreement, pursuant to which SPDB International (Hong Kong) Limited provided a US\$50 million loan facility to the Target. SPDB International (Hong Kong) Limited is wholly owned by Shanghai Pudong Development Bank Co., Ltd. SPDB International Capital Limited is also a subsidiary of Shanghai Pudong Development Bank Co., Ltd..

Somerley has been appointed as the Independent Financial Adviser of the Company to advise the Listing Rules IBC and the Takeovers Code IBC and the Independent Shareholders in respect of the Proposed Merger, the Whitewash Waiver and the Retention Plan of the Shareholder Personnel (including the Retention Plan of Mr. Weng), and as to voting therefor.

17. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to, among other things, the Proposed Merger and the New Listing Application are estimated to be approximately US\$12.68 million in aggregate and are to be payable by the Company and the Target.

18. ESTATE DUTY

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands, Hong Kong, the PRC and other jurisdiction in which the companies comprising the Group are incorporated.

19. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

As at the Latest Practicable Date,

- (a) the Company did not have any interests in any securities, shares, options, warrants, derivatives or convertible securities of the companies acting in concert with Mr. Ni (being Talent Creation and Chinapharm Group);
- (b) save as disclosed in the section headed “6. Disclosure of Interests” in this Appendix, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company or the companies acting in concert with Mr. Ni (being Talent Creation and Chinapharm Group);
- (c) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company nor by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of “associate” but excluding exempt principal traders and exempt fund managers owned or controlled any securities, Shares, options, warrants, derivatives or convertible securities of the Company or the companies acting in concert with Mr. Ni (being Talent Creation and Chinapharm Group);
- (d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate”;
- (e) there were no shareholdings in the Company or the companies acting in concert with Mr. Ni (being Talent Creation and Chinapharm Group) which were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

- (f) none of the Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company; and
- (g) Mr. Weng, being one of the Shareholder Personnel, will abstain from voting on the relevant resolution(s) relating to the Retention Agreement and the Retention Plan, the Proposed Merger and the Whitewash Waiver at the EGM. Other Directors did not have any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company, and were not entitled to vote on the relevant resolution(s) at the EGM.

None of the Directors or the Company had dealt in any securities, shares, options, warrants, derivatives or convertible securities of the Target Controlling Shareholders and of the Company during the Relevant Period.

None of the persons referred to in paragraphs (c), (d), (e) and (f) above had dealt for value in the Shares or any other securities, shares, options, warrants, derivatives or convertible securities of the Company during the Relevant Period.

20. FURTHER INFORMATION RELATING TO MR. NI AND PARTIES ACTING IN CONCERT WITH HIM AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

- (a) save for the Consideration Shares to be allotted and issued pursuant to the Proposed Merger, neither Mr. Ni nor parties acting in concert with him owned or held or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (b) save for the Consideration Shares to be allotted and issued pursuant to the Proposed Merger or otherwise disclosed in this circular, none of the Target Directors owned or held or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares or securities, shares, options, warrants, derivatives or convertible securities of the companies acting in concert with Mr. Ni;
- (c) save for the Irrevocable Undertakings, neither Mr. Ni nor parties acting in concert with him had received any irrevocable commitment from the Independent Shareholders in relation to voting in favour of or against the resolutions in respect of the Proposed Merger, the Retention Plan of the Shareholder Personnel, the transactions contemplated thereunder or the Whitewash Waiver at the EGM;
- (d) neither Mr. Ni nor any person acting in concert with him had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

- (e) neither Mr. Ni nor parties acting in concert with him borrowed or lent, nor had borrowed or lent, any shares, warrants, options, convertible securities or derivatives of the Company;
- (f) there was no agreement, arrangement or understanding pursuant to which the Consideration Shares to be acquired by the Target Controlling Shareholders pursuant to the Proposed Merger would be transferred, charged or pledged to any other persons;
- (g) there was no agreement, arrangement or understanding (including any compensation arrangement) between Mr. Ni and parties acting in concert with him, and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Proposed Merger, the Retention Plan of the Shareholder Personnel, any transactions contemplated thereunder or the Whitewash Waiver;
- (h) save for the Merger Conditions Precedent, neither Mr. Ni nor parties acting in concert with him had entered into any agreement or arrangement to which each of them was a party which related to circumstances in which each of them might or might not invoke or seek to invoke a pre-condition or a condition to the Proposed Merger, the Retention Plan of the Shareholder Personnel, any transactions contemplated thereunder or the Whitewash Waiver;
- (i) save for the Consideration Shares to be allotted and issued pursuant to the Proposed Merger, there was no any other consideration, compensation or benefit in whatever form paid or to be paid by Mr. Ni and parties acting in concert with him to the Company and any party acting in concert with it in connection with the Proposed Merger;
- (j) save for the Proposed Merger and the Retention Plan of the Shareholder Personnel, there was no understanding, arrangement, agreement or special deal between Mr. Ni and parties acting in concert with him on the one hand, and the Company and any party acting in concert with it on the other hand; and
- (k) save for the Proposed Merger and the Retention Plan of the Shareholder Personnel, there was no understanding, arrangement or agreement or special deal between (1) any Shareholders; and (2)(a) Mr. Ni and any party acting in concert with him, or (b) the Company, its subsidiaries or associated companies.

Neither Mr. Ni nor parties acting in concert with him had dealt for value in any shares or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

21. OTHER INFORMATION

- (a) The Target Controlling Shareholders comprise Mr. Ni, Talent Creation and Chinapharm Group. Talent Creation is a company incorporated in the BVI with limited liability and its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. Chinapharm Group is a company incorporated in the BVI with limited liability and its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI.
- (b) As at the Latest Practicable Date, neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures.
- (c) The Company does not have any promoter. No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this circular to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the introduction or related transaction as mentioned in this circular.
- (d) Save as disclosed in this circular, within the two years preceding the date of this circular:
 - (i) no share or loan capital of the Company or any of its subsidiaries had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and
 - (iii) no share or loan capital of the Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.
- (e) All necessary arrangements will be made to enable the Consideration Shares and the Shares fall to be allotted and issued upon exercise of the share options that may be granted under the One-off Share Option Plan to be admitted into CCASS for clearing and settlement.
- (f) As at the Latest Practicable Date, there was no arrangement under which future dividends of the Company are waived or agreed to be waived.
- (g) There has not been any interruption in the business of the Target Group which may have or has had a significant effect on the financial position of the Target Group in the 12 months preceding the date of this circular.

- (h) As at the Latest Practicable Date, no part of the equity or debt securities of the Company was listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in was being or is currently proposed to be sought from any other stock exchange.
- (i) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS ON DISPLAY

Copies of the following documents will be put on display on the Stock Exchange's website at www.hkexnews.hk, the SFC's website at <http://www.sfc.hk> and our Company's website at www.genorbio.com from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum and the Articles of the Company;
- (b) the Memorandum and the Articles of the Target;
- (c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (d) the letter from the Listing Rules IBC, the text of which is set out in the section headed "Letter from the Listing Rules IBC" of this circular;
- (e) the letter from the Takeovers Code IBC, the text of which is set out in the section headed "Letter from the Takeovers Code IBC" of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (g) the annual reports of the Company for each of the financial years ended 31 December 2022, 2023 and 2024 and the interim report of the Company for the six months ended 30 June 2025, which included among other things, financial information of the corresponding periods;
- (h) the Accountants' Report of the Target Group prepared by Ernst & Young, the texts of which are set out in Appendix I to this circular;
- (i) the audited consolidated financial statements of the Target Group for the three years ended 31 December 2024 and the six months ended 30 June 2025 as set out in Appendix I to this circular;
- (j) the Accountants' Report from Ernst & Young relating to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (k) the PRC legal opinion issued by Jingtian & Gongcheng, by the PRC legal adviser to the Target Group, in respect of certain general corporate matters and property matters of the Target Group;
- (l) the letter of advice prepared by our legal adviser on Cayman Islands law summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this circular;
- (m) the valuation report of the Target Group as set out in Appendix V to this circular;

- (n) the service agreements and the letters of appointment with our Directors referred to in “Appendix VI – Statutory and General Information – 7. Directors’ Service Contracts” to this circular;
- (o) the written consents referred to in “Appendix VI – Statutory and General Information – 13. Experts” to this circular;
- (p) the material contracts referred to in “Appendix VI – Statutory and General Information – 15. Material Contracts” to this circular;
- (q) the industry report prepared by Frost & Sullivan;
- (r) the Cayman Companies Act;
- (s) a copy of the rules of the One-off Share Option Plan; and
- (t) copy of this circular.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of the proposed grantees of Converted Options under the One-off Share Option Plan, containing all details as required under the Listing Rules, will be available for inspection at the office of Kirkland & Ellis, at 26th Floor, Gloucester Tower, the Landmark, 15 Queen’s Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this circular.

A copy of a list of the grantees of outstanding share options and RSUs under the Pre-Existing Company Share Schemes, containing all details as required under paragraph 27 of Appendix D1A, will be available for inspection at the office of Haiwen & Partners LLP, at Suites 1101-1104, 11/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this circular.

NOTICE OF EGM



GENOR BIOPHARMA HOLDINGS LIMITED

嘉和生物藥業(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6998)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “**Meeting**” or “**EGM**”) of Genor Biopharma Holdings Limited (the “**Company**”) will be held at Room 501-02, 5/F, Building 6, 690 Bibo Road, Pudong New District, Shanghai, China on Monday, 22 December 2025 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular dated 5 December 2025 of the Company (the “**Circular**”):

ORDINARY RESOLUTIONS

1. The Proposed Merger and the Specific Mandate

1. “**THAT:**

- (a) the Merger Agreement dated 13 September 2024 entered into among the Company, the Merger Sub and the Target (a copy of which marked “A” has been tabled before the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon (i) the fulfilment of the conditions precedent in the Merger Agreement; (ii) the Listing Committee approving the listing of, and granting permission to deal in, the Consideration Shares; and (iii) the passing of resolutions numbered 3(a) and (b) below, the Directors be and are hereby granted the Specific Mandate to allot, issue, credited as fully paid, the Consideration Shares to the Target Shareholders pursuant to the Merger Agreement, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke other general or specific mandate(s) which has/have been granted prior to the passing of this resolution or may from time to time be granted to the Directors; and

NOTICE OF EGM

- (c) any one Director be and is hereby authorised to give, make, sign, execute (under hand, seal or as a deed) and deliver any agreements, announcements, circulars, listing applications, letters, notices, certificates, acknowledgements, receipts, authorisations, instructions, releases, waivers, proxies, appointments of agents for service of process and other documents (whether of a like nature or not) (“**Ancillary Documents**”), and to do all such acts and things, as may in his sole opinion and absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Proposed Merger, the Merger Agreement, the allotment and issue of the Consideration Shares and the transactions contemplated thereunder.”

2. The Retention Plan

2. “**THAT:**

- (a) subject to the consent of the Executive pursuant to Rule 25 of the Takeovers Code with respect to the Retention Agreements entered into among the Company and the Target on 13 September 2024 (a copy of which marked “B” has been tabled before the Meeting and signed by the Chairman of the Meeting for the purpose of identification) and any conditions that may be imposed thereon, the Retention Agreements and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised to give, make, sign, execute (under hand, seal or as a deed) and deliver any Ancillary Document, and to do all such acts and things, as may in his sole opinion and absolute discretion consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Retention Agreements and transactions contemplated thereunder.”

NOTICE OF EGM

3. Increase in Authorised Share Capital

3. **“THAT:**

- (a) the increase of the Company’s authorised share capital from US\$20,000 divided into 1,000,000,000 Shares of a par value of US\$0.00002 each to US\$60,000 divided into 3,000,000,000 Shares of a par value of US\$0.00002 each by creation of an additional 2,000,000,000 Shares with a par value of US\$0.00002 each to rank pari passu in all respects to the existing shares of the Company be and is hereby approved; and
- (b) any one Director be and is hereby authorised to give, make, sign, execute (under hand, seal or as a deed) and deliver any Ancillary Document, and to do all such acts and things, as may in his sole opinion and absolute discretion consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the increase in authorised share capital of the Company.”

4. One-off Share Option Plan

4. **“THAT** conditional upon the passing of resolutions numbered 3(a) and (b) above:

- (a) conditional upon the Listing Committee approving the listing of, and granting permission to deal in, the Shares which may fall to be allotted and issued upon exercise of the share options that may be granted under the One-off Share Option Plan, the One-off Share Option Plan (a copy of the One-off Share Option Plan has been produced to the Meeting marked “B” and initial by the Chairman of the Meeting for identification purpose), the principal terms of which are set out in Appendix VI to the Circular, be and is hereby approved and adopted by the Company;
- (b) any one Director be and is hereby authorised to give, make, sign, execute (under hand, seal or as a deed) and deliver any Ancillary Document, and to do all such acts and things, as may in his sole opinion and absolute discretion consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the One-off Share Option Plan and transactions contemplated thereunder.”

NOTICE OF EGM

SPECIAL RESOLUTIONS

5. The Whitewash Waiver

5. “**THAT:**

- (a) conditional upon (i) passing of resolution numbered 1 above; and (ii) the Executive granting to Mr. Ni the Whitewash Waiver and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the Whitewash Waiver be and is hereby approved; and
- (b) any one Director be and is hereby authorised to give, make, sign, execute (under hand, seal or as a deed) and deliver any Ancillary Document, and to do all such acts and things, as may in his sole opinion and absolute discretion consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Whitewash Waiver.”

6. Change of Company Name

6. “**THAT** upon Merger Effective Time:

- (a) the English name of the Company be changed from “Genor Biopharma Holdings Limited” to “Edding Genor Group Holdings Limited” and the dual foreign name of the Company in Chinese be changed from “嘉和生物藥業(開曼)控股有限公司” to “億騰嘉和醫藥集團有限公司” (“**Change of Company Name**”); and
- (b) any one Director be and is hereby authorised to give, make, sign, execute (under hand, seal or as a deed) and deliver any Ancillary Document, and to do all such acts and things, as may in his sole opinion and absolute discretion consider necessary, appropriate, desirable or expedient to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to any matter relating to the Change of Company Name.”

By Order of the Board

Genor Biopharma Holdings Limited

Mr. Weng Chengyi

Executive Director and Chief Financial Officer

Hong Kong, 5 December 2025

NOTICE OF EGM

Notes:

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. Any Shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a Shareholder. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the above meeting (i.e. not later than 10:00 a.m. on Saturday, 20 December 2025 (Hong Kong time)) or any adjournment thereof (as the case may be). Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 18 December 2025 to Monday, 22 December 2025 to both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd. at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 December 2025. The record date for the EGM will be Monday, 22 December 2025.

In the event that the meeting is adjourned to a date later than Monday, 22 December 2025 due to bad weather conditions or other reasons, the period of closure of the register of members of the Company for determination of Shareholders' entitlement to attend and vote at the EGM will remain the same as stated above.

5. If the EGM is seriously affected by a typhoon or a bad weather condition in Shanghai, China, the Company may postpone the EGM to a later date, and the Company will publish an announcement on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) to notify the Shareholders of the new date, time and place of the adjourned EGM. For the avoidance of doubt, the EGM may still be held as scheduled during a typhoon or a bad weather condition in Shanghai, China. Shareholders should decide on their own whether they would attend the EGM under such bad weather condition bearing in mind their own situations.
6. Further information relating to all the matters set out in the above resolutions and further information relating to the Company are set out in the Circular.

As at the date of this notice, the Board comprises Mr. Weng Chengyi as an executive Director; Mr. Yu Tieming and Mr. Liu Yi as non-executive Directors; and Mr. Fung Edwin, Mr. Chen Wen and Ms. Cui Bai as independent non-executive Directors.

<p>This circular (in both English and Chinese versions) has been posted on the Company's website at www.genorbio.com.</p>
