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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

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.

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.

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.

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 *(audited)* *RMB'000*	**FY2023** *(audited)* *RMB'000*	**FY2024** *(audited)* *RMB'000*	**1H2024** *(unaudited)* *(Restated)* *RMB'000*	**1H2025** *(unaudited)* *RMB'000*
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)

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.

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%**

	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

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.

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 *(audited)* *RMB'000*	**FY2023** *(audited)* *RMB'000*	**FY2024** *(audited)* *RMB'000*	**1H2024** *(unaudited)* *RMB'000*	**1H2025** *(audited)* *RMB'000*
Revenue					
Originator-branded products					
– *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*
Innovative products					
– *Vascepa*	*16,599*	*61,377*	*77,495*	*50,165*	*72,259*
– *Mulpleta*	–	*10,764*	*237,320*	*130,983*	*3,797*
Other products	*68,118*	*67,318*	*75,306*	*32,990*	*38,939*
Discontinued products	*140,676*	*151,174*	*29,843*	*29,844*	–
Service income	–	–	*1,946*	*1,946*	*22,594*
Gross revenue	2,187,123	2,482,537	2,814,983	1,514,258	1,165,492
Less: Sales rebates and sales tax	*(113,369)*	*(178,749)*	*(268,939)*	*(140,936)*	*(29,950)*
	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 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 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.

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.

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000			
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

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.

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.

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;

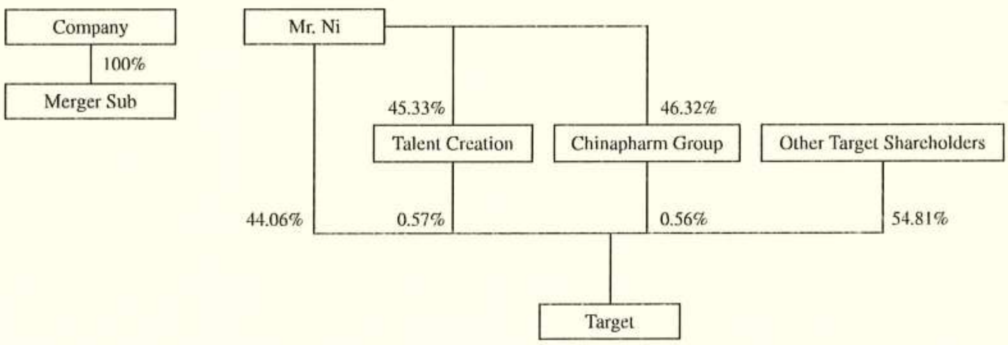
(2) subject to the terms and conditions in the Merger Agreement, at the Merger Effective Time, (i) the Merger Sub will be merged with and into the Target, following which separate existence of the Merger Sub will cease and the Target will continue as the surviving company and become a wholly-owned subsidiary 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;

(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

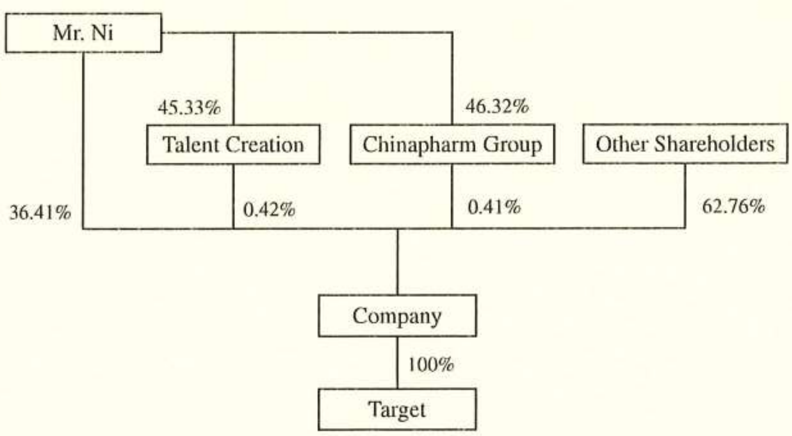
(4) immediately following the Merger Effective Time, each issued and outstanding ordinary share of the Merger Sub immediately prior to the Merger Effective Time shall be automatically converted into one validly issued and fully paid ordinary share of the Target (such ordinary share of the Target shall 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:



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.

(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.

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***

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).

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
Minus: Outstanding Target Share Options	*33,485,000*
	535,690,859
Times: Presumed Maximum Share Exchange Ratio	*3.31*
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.

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.

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 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 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 Ratio *(times)* *(Note 1)*	P/E Ratio *(times)* *(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:

1. 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.

2. 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).

3. 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.

4. Exchange rate used in conversion was HK$1 = RMB0.90880.

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.

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.

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	Ascletis 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:

1. 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.

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.

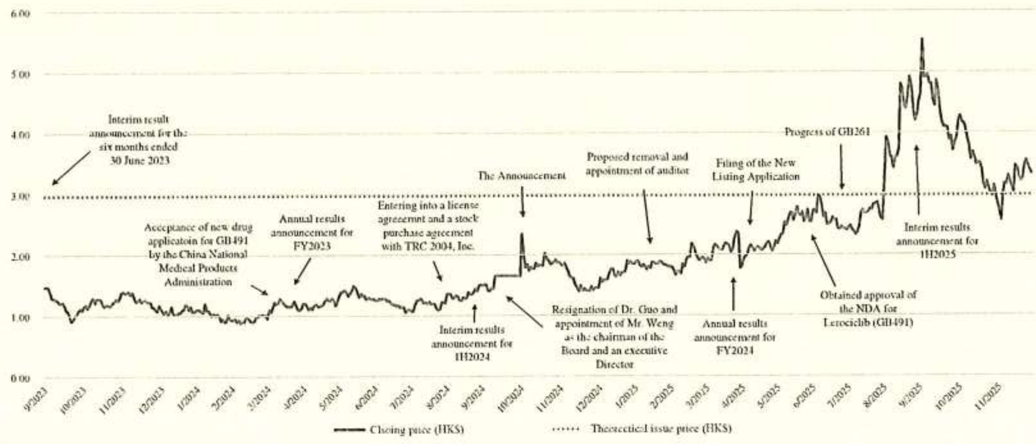
As previously discussed, the Company Equity Value was determined by factoring in the cash and bank balances of the Group. Given the Group would continue to conduct its business in its ordinary and usual course during the Transitional Period and considering the Pre-Merger Closing undertakings in respect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

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.

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.

Announcement Date	Stock Code	Listed Company	Principal business	Issue price	Premium/(Discount) of the issue price over/to 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
				(HK$)	*(%)*	*(%)*	*(%)*
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

Announcement Date	Stock Code	Listed Company	Principal business	Issue price (HK$)	Premium/(Discount) of the issue price over/to 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 (%)
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:

1. 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.

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.

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 (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		(ii) ... and (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	
	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)						
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%***

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 (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		(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	
	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**	**14.876%**
Total	**528,291,792**	**100%**	**2,301,428,536**	**100%**	**2,432,844,309**	**100%**

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.

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.

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.

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);

(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 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.

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.

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 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
				Minimum	*637*	*–*	*814*
				Maximum	*3,107*	*13,936*	*14,573*
				Average	*1,579*	*3,943*	*5,522*
				Median	*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)*

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.

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.

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

M.N. Sabine *Chairman*

Calvin Leung *Director*

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.