本公告僅供參考，並不構成提呈收購、購買或認購任何證券之要約邀請或招攬，或訂立進行該等收購、購買或認購的協議之邀請，且本公告並不旨在邀請收購、購買或認購任何證券之要約。

*本公告不會直接或間接於或向美國(包括美國的領土及屬地、任何州以及哥倫比亞特區)發佈。本公告及其包含的信息並不構成在美國境內購買、認購或出售證券的任何要約或要約邀請或招攬或其組成部分。本公告中所述的證券並無亦不會根據1933年美國《證券法》(經修訂)(「**《證券法》**」)或美國的任何州或其他司法管轄區的證券法律登記。本公告中所述的證券將根據《證券法》規章S(「**規章S**」)在美國境外發售和出售，並且除非已進行登記或獲豁免遵守《證券法》的登記規定，否則該等證券不得在美國境內發售或出售。本公告中所述的證券不會於美國境內或該等發售受到限制或禁止的其他司法管轄區境內進行公開發售。本公告或其中包含的信息沒有招攬任何金錢、證券或其他對價，並且任何基於本公告或其包含的信息而發出的任何金錢、證券或其他對價均不會被接受。*

LUYE PHARMA GROUP LTD.
绿叶制药集团有限公司
(於百慕達註冊成立之有限公司)
(股份代號：02186)

海外監管公告

本海外監管公告乃根據上市規則第13.10B條刊發。

茲提述绿叶制药集团有限公司(「**本公司**」)日期為2024年10月23日、2024年10月28日及2024年10月30日之公告(「**該公告**」)，內容有關(其中包括)發行100,000,000美元5.85%利率2025年到期可轉換債券(「**A期債券**」)。除文義另有所指外，本公告所用詞彙與該公告所界定者具有相同涵義。

請參閱隨附日期為2024年10月28日的資料備忘錄(「**資料備忘錄**」),內容有關A期債券,該資料備忘錄已於2024年11月1日於新交所網站發佈。

於香港交易及結算所有限公司網站及本公司網站刊登資料備忘錄連同本公告僅旨在向香港投資者同步發佈資訊及為遵守上市規則第13.10B條的規定,並無其他目的。

資料備忘錄並不構成於任何司法權區向公眾人士提呈出售任何證券的招股章程、通告、通函、小冊子或廣告,亦非邀請公眾人士提出認購或購買任何證券的要約,且不旨在邀請公眾人士提出認購或購買任何證券的要約。

資料備忘錄不得被視為誘使認購或購買本公司任何證券,亦不擬構成該等勸誘。不應按資料備忘錄所載資料作出任何投資決定。

承董事會命
绿叶制药集团有限公司
主席
劉殿波

香港,2024年11月1日

於本公告日期,本公司執行董事為劉殿波先生、楊榮兵先生、袁會先先生及祝媛媛女士;本公司非執行董事為宋瑞霖先生及呂東博士;及本公司獨立非執行董事為張化橋先生、盧毓琳教授、梁民傑先生、蔡思聰先生及夏蓮女士。

No representation or warranty, express or implied, is made by Citicorp International Limited as trustee (the "**Trustee**"), the Agents (as defined in the Terms and Conditions) or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Information Memorandum, and nothing contained in this Information Memorandum is, or shall be relied upon as, a promise, representation or warranty by the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them. None of the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them, has independently verified the information contained in this Information Memorandum. This Information Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them, that any recipient of this Information Memorandum should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them, accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them, or on any of their behalf in connection with the Issuer, the Group or the Bonds. Each of, the Trustee and the Agents and each of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives and advisers, and each person who controls any of them, accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement. None of the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them, undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them.

In making an investment decision, prospective investors must rely on their examination of the Issuer, the Group and the terms of this offering, including the merits and risks involved. Prospective investors should not construe anything in this Information Memorandum as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Information Memorandum and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able or advisable to purchase the Bonds under applicable laws or regulations.

Each person receiving this Information Memorandum acknowledges that, no person has been authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Group, the Trustee or the Agents or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, or any person who controls any of them. Neither the delivery of this Information Memorandum nor any offering, sale or delivery made in connection with the issue of the

Bonds shall, under any circumstances, constitute a representation that there has been no material change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

The Bonds are not intended to be initially placed and may not be initially placed to any Connected Person. Each holder of Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the SFC, disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Bonds (or any beneficial interests therein) from the Issuer, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both of their agent and their underlying client.

None of the Issuer, the Group are, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this Information Memorandum and the offering of the Bonds may be restricted by law in certain jurisdictions. Persons who are in possession of this Information Memorandum are required by the Issuer to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this Information Memorandum, see "*Subscription and Sale*" below.

This Information Memorandum summarises certain material documents and other information, and the Issuer refers you to them for a more complete understanding of what is discussed in this Information Memorandum. In making an investment decision, you must rely on your own examination of the Issuer and the Group and the terms of the offering, including the merits and risks involved. The Issuer is not making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment or similar laws or regulations. You should not consider any information in this Information Memorandum to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Bonds.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Information Memorandum has been prepared using a number of conventions, which you should consider when reading the information herein. The terms the "**Company**" or the "**Issuer**" are referring to Luye Pharma Group Ltd. and the term the "**Group**" are referring to the Company and its subsidiaries taken as a whole. The terms "**we**", "**us**", "**our**" and words of similar import are referring to the Company or the Group, as the context requires.

Market data and certain industry forecasts used throughout this Information Memorandum have been obtained by the Group based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources the Group believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Group does not make any representation as to the reliability or accuracy and completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Information Memorandum summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this Information Memorandum relating to the PRC and the pharmaceutical industry in the PRC were taken or derived from various government and private publications. The Group does not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

Unless otherwise specified or the context requires, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" and "**HKD**" are to the lawful currency of the Hong Kong Special Administrative Region ("**Hong Kong**"), references herein to "**U.S.$**", "**USD**" and "**U.S. dollars**" are to the lawful currency of the United States of America (the "**United States**" or the "**U.S.**") and references herein to "**Renminbi**" and "**RMB**" are to the lawful currency of the People's Republic of China (the "**PRC**" or "**China**").

Unless otherwise stated in this Information Memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.2672 to U.S.$1.00, the noon buying rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York on 28 June 2024. All such translations in this Information Memorandum are provided solely for each investor's convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

References to "**PRC**" and "**China**", for the purposes of this Information Memorandum, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the People's Republic of China ("**Macau**"), or Taiwan. "**PRC government**" or "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them. The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

In this Information Memorandum, unless the context otherwise requires, all references to "**affiliate**" are to a person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "**subsidiary**" are used with the meaning ascribed to it in the Listing Rules.

Unless the context otherwise requires, references to "**2021**", "**2022**" and "**2023**" in this Information Memorandum are to the Group's financial years ended 31 December 2021, 2022 and 2023, respectively.

FORWARD-LOOKING STATEMENTS

This Information Memorandum includes "forward-looking statements". All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would", or similar words or the negatives thereof. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Group's business strategies, revenue and profitability, planned projects and other matters discussed in this Information Memorandum regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Information Memorandum (whether made by the Group or by any third party) involve known and unknown risks, including those disclosed under the caption "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause the Company's or the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the Group's business and operating strategies;
- the Group's financial condition and results of operations;
- availability and cost of and changes to bank loans and other forms of financing;
- the Group's capital expenditure plans;
- various business opportunities that the Group may pursue;
- the Group's operations and business prospects;
- the industry outlook generally;
- the Group's ability to expand and manage its growth, both within the PRC and abroad;
- future developments in and the performance of the pharmaceutical market in the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government's specific policies in relation pharmaceuticals in the PRC;
- possible disruptions to commercial activities due to natural and human-induced disasters, including, but not limited to, floods, earthquakes, epidemics, terrorist attacks and armed conflict;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- changes in currency exchange control and rates; and
- other factors beyond the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Information Memorandum. The Company cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Information Memorandum. The Company does undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Information Memorandum might not occur.

INCORPORATION OF FINANCIAL INFORMATION

The Company's consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023 have been extracted from the consolidated financial statements of the Company for the years ended 31 December 2022 and 2023 (as disclosed in the Company's 2022 and 2023 annual reports), which have been audited by Ernst & Young ("**EY**"), the independent auditors of the Company and incorporated by reference in this Information Memorandum. The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards ("**IFRS**"). The Company's consolidated financial information as at and for the six months ended 30 June 2023 and 2024 have been extracted from the Company's unaudited but reviewed consolidated interim financial information as at and for the six months ended 30 June 2024, (as disclosed in the Company's 2024 interim report), which have been reviewed by the EY, the independent auditors of the Company and incorporated by reference in this Information Memorandum. See "*Selected Consolidated Financial Information and Other Data*" for details.

The Reviewed Financial Information (as defined in this Information Memorandum) has not been audited by the Company's independent auditors, and thus such information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Historical results are not necessarily indicative of results that may be achieved in any future period. The Company's financial statements for any interim period should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operation.

Copies of the Company's consolidated financial statements as at and for the years ended 31 December 2022 and 2023 and the Company's consolidated financial information as at and for the six months ended 30 June 2024 can be downloaded from the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk and the website of the Company at www.luye.cn/lvye_en/ (the other contents of these websites do not form part of this Information Memorandum). Certain amounts and percentages included in this Information Memorandum have been rounded.

Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column. You should not construe any exchange rate translations as representations that the relevant exchange and amounts could actually be converted into the amounts expressed.

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Information Memorandum. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Information Memorandum shall have the same meanings when used in this summary. Prospective investors should therefore read this Information Memorandum in its entirety, including "Risk Factors", to determine whether an investment in the Bonds is appropriate.

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fastest growing therapeutic areas in the PRC, the United States, Europe and other emerging countries or regions, namely oncology, central nervous system ("**CNS**"), cardiovascular system, alimentary tract and metabolism. The Group's product portfolio consists of 30 products and centres around 16 key products which are competitively positioned globally for highly prevalent medical conditions.

In China, the Group's key products are competitively positioned in four key therapeutic areas and have gained top-ranking market shares measured by revenue. According to IQVIA, oncology-related pharmaceutical products constituted the largest market in China for pharmaceutical products in the year of 2023. The Group's portfolio of oncology products includes Lipusu, Boyounuo, Baituowei, CMNa and Mimeixin. As far as the Company is aware, Lipusu is the first and only paclitaxel liposome product approved for sale globally as of 30 June 2024. CMNa is a Class I New Chemical Drug and as far as the Company is aware, the only NMPA approved sensitiser for cancer radiotherapy in China. Boyounuo is an anti-vascular endothelial growth factor ("**anti-VEGF**") humanised monoclonal antibody injection and a biosimilar to Avastin independently developed by the Company's subsidiary, namely, ("**Boan Biotech**"). IQVIA data showed that cardiovascular system-related pharmaceutical products constituted the fifth largest market for pharmaceutical products in the PRC in the year of 2023. The Group's key cardiovascular system products include Xuezhikang, Oukai and Maitongna. According to IQVIA, Xuezhikang was the most popular natural medicine for the treatment of hypercholesterolaemia in the year of 2023. Maitongna and Oukai were ranked as the third and fifth most-used vasoprotective pharmaceutical product domestically manufactured in China in the year of 2023. Metabolism related pharmaceutical products constituted the third largest pharmaceutical market in China in the year of 2023, according to IQVIA. IQVIA data showed that CNS-related pharmaceutical products constituted the fourth largest market for pharmaceutical products in the PRC in the year of 2023. The Group's portfolio of CNS products includes Seroquel, Rykindo and Ruoxinlin. Ruoxinlin was the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of Major Depressive Disorder ("**MDD**") developed by a local company in China.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Rykindo, Rivastigmine once-daily transdermal patch, Rivastigmine Multi-Day Transdermal Patch ("**Rivastigmine MD**" or "**LY30410**"), Fentanyl patches and Buprenorphine patches.

For the year ended 31 December 2023, the Group's revenue from oncology products and alimentary tract and metabolism products decreased by 8.0% to RMB2,122.4 million and 28.8% to RMB450.4 million. Revenue from sales of cardiovascular system products and CNS products increased by 9.9% to RMB1,687.4 million and 28.1% to RMB1,694.6 million. For the six months ended 30 June 2024, revenue from oncology products and CNS products increased by 25.3% to RMB1,140.9 million and 20.9% to RMB822.7 million. Revenue from cardiovascular system products and alimentary tract and metabolism products decreased by 21.9% to RMB763.3 million and 20.8% to RMB195.7 million. The significant increase of revenue from sales of oncology products and CNS products was primarily attributable to the higher in sales of product know-how, increase in sale of some key products of the Group and increase in sales of CNS products, while decrease of revenue in sales of cardiovascular system products and alimentary tract and metabolism products is primarily attributable to the decrease in sales of a few cardiovascular system products of the Group and decrease in sales of the key alimentary tract and metabolism products of the Group.

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 30 June 2024. The Group generates demand for its pharmaceutical products from hospitals and other medical institutions through its sales and marketing activities, including academic promotion, and generates revenue by selling the Group's pharmaceutical products to distributors who, in turn, sell the Group's products to hospitals and other medical institutions. The Group develops its marketing and promotion strategies centrally in order to maximise the Group's brand recognition and optimise its product positioning in the PRC market. The Group implements its strategies primarily through its internal sales teams that are aligned to the Group's key therapeutic areas. The Group also utilises independent third party promoters where it believes such third party promoters could leverage their relationships to expand the Group's hospital coverage efficiently. The Group believes that its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel and a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals, which comprised approximately 2,200 or approximately 88.0% of all Class III hospitals, approximately 5,750 or approximately 66.0% of all Class II hospitals and approximately 13,500 or approximately 63.0% of all Class I and other hospitals and medical institutions, in the PRC as of 30 June 2024.

Outside of the PRC, the Group has commercial offices in the U.S., Switzerland, Germany, Japan, Hong Kong, Singapore and Malaysia. The Group has strong sales partnerships with more than 50 partners throughout the world, covering 80 countries or regions including the U.S., countries in the European Union (the "**EU**"), Japan, Association of Southeast Asian Nations ("**ASEAN**"), Latin America, Gulf Cooperation Council ("**GCC**") region and other emerging countries or regions.

The Group believes its ability to develop innovative pharmaceutical products through its research and development capabilities will be the driving force behind the Group's long-term competitiveness, as well as its future growth and development. The Group's R&D activities are organised around four platforms in the chemical drug sector — long-acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to the biological sector supported by the four cutting-edge platforms of Boan Biotech, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, Antibody-drug Conjugate ("**ADC**") Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics.

As of 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 Master's degree holders in medical, pharmaceutical and other related areas. As of 30 June 2024, the Group had been granted over 272 patents and had over 66 pending patent applications in the PRC, and had been granted 552 patents and 123 pending patent applications overseas.

As of 30 June 2024, the Group had a pipeline of 27 PRC product candidates in various stages of development. These candidates included 18 oncology products, 5 CNS products, as well as 4 other products. As of 30 June 2024, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue was RMB5,200.2 million, RMB5,981.7 million, RMB6,143.1 million and RMB3,074.6 million, respectively. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Group's recorded a net loss of RMB144.8 million, a net profit of RMB583.3 million, a net profit of RMB539.1 million and a net profit of RMB438.2 million, respectively. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's gross profit margin was 65.3%, 69.2%, 68.4% and 67.6%, respectively.

THE OFFERING

The following is a general summary of the terms of the offering of the Bonds. This summary is partly derived from and should be read in conjunction with, the full text of the Terms and Conditions (see "Terms and Conditions of the Bonds"), the Trust Deed and the Agency Agreement relating to the Bonds. The Terms and Conditions, the Trust Deed and the Agency Agreement will prevail to the extent of any inconsistency with the terms set out in this summary. Defined terms used in this summary that are not defined herein shall have the meanings accorded to them in the Terms and Conditions.

Issuer	Luye Pharma Group Ltd.
Issue	U.S.$100,000,000 5.85 per cent. Convertible Bonds due 2025 convertible at the option of the holder thereof into fully paid ordinary shares of the Issuer.
Shares	Ordinary shares of U.S.$0.02 each in the share capital of the Issuer.
Issue Price	100.00 per cent. of the principal amount of the Bonds.
Form and Denomination of the Bonds	The Bonds will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 30 October 2024 at the rate of 5.85 per cent. per annum, payable in the amount of U.S.$14.63 per Calculation Amount (as defined in the Terms and Conditions) on 30 January 2025, 30 April 2025 and 30 July 2025 and in the amount of U.S.$14.46 on 29 October 2025. See "*Terms and Conditions of the Bonds — Interest*".
Issue Date	30 October 2024.
Maturity Date	29 October 2025.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries (as defined in the Terms and Conditions) will, create, permit to subsist or arise, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Charge**") (other than a security interest arising by operation of law) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless at the same time or prior thereto according to the Bonds: (a) the same Charge as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably; or (b) such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders. See "*Terms and Conditions of the Bonds — Covenants — Negative Pledge*".

Status of the Bonds	The Bonds shall constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. See "*Terms and Conditions of the Bonds — Status*".
Taxation	All payments made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Bermuda or, in each case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 22 October 2024, the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the aggregate rate applicable on 22 October 2024 or (ii) by or within Bermuda, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except in circumstances specified in Condition 9 (*Taxation*) of the Terms and Conditions. See "*Terms and Conditions of the Bonds — Taxation*".

Conversion Right and Period . . .	Subject as provided in the Terms and Conditions, each Bond shall entitle the holder to convert such Bond into Shares credited as fully paid at any time during the Conversion Period referred to below. Subject to and upon compliance with the Terms and Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as provided in the Terms and Conditions) on or after 10 December 2024 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling ten days prior to the Maturity Date (both days inclusive) (but, except as provided in Condition 6(A)(iii) (*Revival and/or survival after Default*) of the Terms and Conditions, in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(C) (*Redemption for Delisting or Change of Control*) of the Terms and Conditions then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the "**Conversion Period**"). See "*Terms and Conditions of the Bonds — Conversion Right*".
Conversion Price	The price at which Shares will be issued upon exercise of a Conversion Right will initially be HK$3.672 per Share, but will be subject to adjustments for, among other things, consolidation, subdivision or reclassification, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price and certain other dilutive events. See "*Terms and Conditions of the Bonds — Conversion — Adjustments to Conversion Price*" and "*Terms and Conditions of the Bonds — Conversion — Adjustment upon Change of Control*".
Final Redemption	Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on the Maturity Date. See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Maturity*".

Redemption for Taxation Reasons	The Issuer may redeem all and not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with the Terms and Conditions (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption at its principal amount, together with interest accrued but unpaid up to but excluding the date of redemption (if any), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (a) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 (*Taxation*) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or Bermuda, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 October 2024, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that its Bonds shall not be redeemed. Upon a Bondholder electing not to have its Bonds redeemed in such circumstances, any payments due after the relevant date of redemption shall be made subject to any deduction or withholding of any tax required to be deducted or withheld. See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons*".
Redemption for Delisting or Change of Control	Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date (as defined in the Terms and Conditions) at their principal amount, together with interest accrued but unpaid up to but excluding such date (if any). A "**Relevant Event**" occurs: (i) when the Shares cease to be listed or admitted to trading or are suspended on the Main Board of the Hong Kong Stock Exchange for a period equal to or exceeding 30 consecutive Trading Days; or (ii) there is a Change of Control (as defined in the Terms and Conditions). See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Delisting or Change of Control*".

Cross-Default	The Bonds may be accelerated in the event that, *inter alia*, any other present or future indebtedness of the Issuer or any of its Subsidiaries (as defined in the Terms and Conditions) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described) in respect of indebtedness which equals or exceeds U.S.$25 million or its equivalent in any other currency. For a description of certain other events that will permit acceleration of repayment of the principal amount together with accrued interest (if any) of the Bonds, see "*Terms and Conditions of the Bonds — Events of Default*".
Further Issues	The Issuer may, from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price and the first payment of interest on them and the timing for the making of and complying with the requirements set out in the Terms and Conditions in relation to the CSRC Filing(s) (as defined in the Terms and Conditions)) (such further bonds, the "**Additional Bonds**") and so that such further issue shall be consolidated and form a single series with the Bonds, *provided* that the aggregate principal amount of such Additional Bonds issued pursuant to this Condition 17, together with the aggregate principal amount of all other Bonds constituted by the Trust Deed, shall not exceed U.S.$500,000,000. See "*Terms and Conditions of the Bonds — Further Issues*".
Clearing	The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.
Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with them will be governed by and will be construed in accordance with English law.
Legal Entity Identifier	5299009HZHEY886D5W65.
ISIN/Common Code	XS2927538962/292753896.
Listing of the Bonds	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of any Bonds on, the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Bonds.

	For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in foreign currencies).
Listing of Shares	The Shares are listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares issuable upon conversion of the Bonds.
Trustee	Citicorp International Limited.
Registrar	Citicorp International Limited.
Principal Agent and Transfer Agent	Citibank, N.A., London Branch.
Rating of the Bonds	The Bonds are not, and are not expected to be, rated by any rating agency.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, Hong Kong, Singapore, the PRC and Bermuda. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "*Subscription and Sale*".
Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a common depositary for Euroclear and Clearstream, payments of principal in respect of the Bonds represented by the Global Certificate will be made without presentation and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to Bondholders for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Use of Proceeds	The Group intends to apply the net proceeds from the issue of the Bonds for refinancing existing indebtedness and research and development of products and general corporate purposes.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

*The consolidated financial information of the Company as at and for the years ended 31 December 2021, 2022 and 2023 included in this Information Memorandum have been extracted from the Company's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023 (together, the "**Audited Financial Statements**") which are incorporated by reference in this Information Memorandum. The summary consolidated financial information as at and for the six months ended 30 June 2023 and 2024 set forth below is extracted from the Company's unaudited but reviewed consolidated interim financial information as at and for the six months ended 30 June 2024 (the "**Reviewed Financial Information**", together with the Audited Financial Information, the "**Historical Financial Information**") which are incorporated by reference into this Information Memorandum.*

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2022 and 2023 have been prepared and presented in accordance with IFRS and have been audited by EY, the independent auditors of the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The interim consolidated financial information of the Company as at and for the six months ended 30 June 2024 has been prepared and presented in accordance with Interim Accounting Standard 34 Interim Financial Reporting, and have been reviewed by the EY, the independent auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Reviewed Financial Information has not been audited by the Company's independent auditors, and thus such information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Historical results are not necessarily indicative of results that may be achieved in any future period. The Company's financial statements for any interim period should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	(audited)	(RMB'000) (audited)	(audited)	(RMB'000) (unaudited)
Non-current assets				
Property, plant and equipment	3,858,491	4,255,990	4,751,937	4,912,061
Advance payments for property, plant and equipment and other intangible assets	390,989	319,829	–	–
Right-of-use assets	344,990	333,307	336,568	346,829
Goodwill	985,413	1,003,371	1,041,930	1,024,476
Other intangible assets	5,441,833	5,984,684	6,317,880	6,502,951
Investment in an associate	8,659	7,781	1,388,197	987,970
Long-term receivables	8,380	8,600	–	–
Equity investments designated at fair value through other comprehensive income	95,273	100,952	91,976	97,919
Prepayments, other receivables and other assets	–	–	66,459	66,692
Financial assets at fair value through profit or loss	478,263	1,005,351	488,261	488,261
Pledged time deposits	440,000	330,000	159,640	–
Deferred tax assets	133,106	113,947	144,585	235,395
Total non-current assets	12,185,397	13,463,812	14,787,433	14,662,554
Current assets				
Inventories	746,344	772,939	827,863	815,546
Trade and notes receivables	1,765,096	1,783,686	2,354,899	2,577,607
Prepayments, other receivables and other assets	1,039,538	1,033,093	429,589	1,159,787
Financial assets at fair value through profit or loss	2,684,198	1,973,824	1,595,767	1,631,361
Restricted cash	31,982	32,003	–	–
Pledged time deposits	1,303,395	1,619,828	984,496	1,502,976
Time deposits with original maturity of over three months	387,859	1,246,700	1,271,695	1,509,000
Cash and cash equivalents	2,438,252	2,323,740	3,238,973	3,339,649
Total current assets	10,396,664	10,785,813	10,703,282	12,535,926
Current liabilities				
Trade and notes payables	570,890	559,944	767,187	797,008
Other payables and accruals	1,318,092	1,840,118	1,951,568	1,949,236
Derivative financial instruments	–	–	–	–
Interest-bearing loans and borrowings	5,263,216	5,377,982	5,195,754	6,669,023
Convertible bonds — debt component	–	1,461,806	–	–
Convertible bonds — embedded derivative instrument	–	87,705	–	–
Government grants	31,353	26,449	22,965	29,422
Tax payable	141,142	133,199	200,333	329,788
Dividend payable	5,500	–	–	–
Total current liabilities	7,330,193	9,487,203	8,137,807	9,774,477
Net Current Assets	3,066,471	1,298,610	2,565,475	2,761,449
Total assets less current liabilities	15,251,868	14,762,422	17,352,908	17,424,003

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	(audited)	(RMB'000) (audited)	(audited)	(RMB'000) (unaudited)
Non-current liabilities				
Convertible bonds	1,870,654	–	937,875	974,094
Interest-bearing loans and borrowings	2,356,923	2,264,731	2,290,318	1,810,175
Contingent consideration payables	334,378	–	–	–
Government grants	209,387	174,965	103,579	101,308
Redemption liabilities on non-controlling interests	1,202,818	–	–	–
Employee defined benefit obligation	6,793	2,015	4,100	3,750
Deferred tax liabilities	57,874	56,034	47,257	38,677
Other non-current liabilities	99,138	1,222,955	441,285	411,346
Total non-current liabilities	6,137,965	3,720,700	3,824,414	3,339,350
NET ASSETS	9,113,903	11,041,722	13,528,494	14,084,653
Equity				
Equity attributable to owners of the parent				
Issued capital	455,835	456,953	486,107	486,107
Treasury shares	(279,558)	(279,558)	–	–
Share premium	1,715,981	3,076,828	4,159,320	4,250,260
Equity component of convertible bonds	292,398	–	386,362	386,362
Reserves	6,303,467	6,921,731	7,499,396	7,896,674
Non-controlling interests	625,780	865,768	997,309	1,065,250
TOTAL EQUITY	9,113,903	11,041,722	13,528,494	14,084,653

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
		(RMB'000)		(RMB'000)	
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	5,200,226	5,981,656	6,143,078	2,904,108	3,074,582
Cost of sales	(1,803,486)	(1,841,140)	(1,938,903)	(960,745)	(996,032)
Gross profit	3,396,740	4,140,516	4,204,175	1,943,363	2,078,550
Other income and gains	330,690	393,136	501,837	328,617	202,931
Selling and distribution expenses	(1,704,780)	(1,819,691)	(2,056,167)	(1,115,245)	(850,826)
Administrative expenses	(570,844)	(582,870)	(643,967)	(297,344)	(289,179)
Other expenses	(1,127,606)	(990,405)	(631,118)	(323,798)	(334,008)
Finance costs	(399,458)	(471,755)	(675,454)	(306,837)	(277,836)
Share of profit of an associate	701	831	794	232	345
Profit/(loss) before tax	(74,557)	669,762	700,100	228,988	529,977
Income tax expense	(70,226)	(86,466)	(161,023)	(83,634)	(91,799)
Profit/(loss) for the year/period	(144,783)	583,296	539,077	145,354	438,178
Attributable to owners of the parent	(134,392)	604,807	532,605	149,977	387,836
Attributable to non-controlling interests	(10,391)	(21,511)	6,472	(4,623)	50,342
	(144,783)	583,296	539,077	145,354	438,178
Earnings per share attributable to ordinary equity holders of the parent					
Basic earnings/(loss) per share attributable to ordinary equity holders of the parent	RMB(0.04)	RMB0.17	RMB0.14	RMB0.04	RMB0.10
Diluted earnings/(loss) per share attributable to ordinary equity holders of the parent	RMB(0.04)	RMB0.17	RMB0.14	RMB0.04	RMB0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	(RMB'000)				
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Profit/(loss) for the year/period	(144,783)	583,296	539,077	145,354	438,178
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
– Exchange differences:					
Exchange differences on translation of foreign operations	(30,534)	(8,655)	43,852	66,270	(3,203)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(30,534)	(8,655)	43,852	66,270	(3,203)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
– Equity investments designated at fair value through other comprehensive income:					
• Changes in fair value	6,178	(3,264)	(10,875)	7,674	5,300
• Income tax effect	(491)	346	146	85	37
	5,687	(2,918)	(10,729)	7,759	5,337
– Remeasurement on defined benefit plan	788	5,755	(3,158)	–	–
– Income tax effect	(68)	(557)	546	–	–
	720	5,198	(2,612)	–	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	6,407	2,280	(13,341)	7,759	5,337
Other comprehensive income for the year/period, net of tax	(24,127)	(6,375)	30,511	74,029	2,134
Total comprehensive income for the year/period	(168,910)	576,921	569,588	219,383	440,312
Total comprehensive income for the year/period attributable to:					
Owners of the parent	(158,519)	598,432	563,050	223,880	389,990
Non-controlling interests	(10,391)	(21,511)	6,538	(4,497)	50,322
	(168,910)	576,921	569,588	219,383	440,312

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	(audited)	(RMB'000) (audited)	(audited)	(RMB'000) (unaudited)	(unaudited)
Net cash flows from/(used in) operating activities	182,371	1,653,796	1,595,487	689,727	(394,400)
Net cash flows used in investing activities	(3,436,032)	(1,658,308)	(1,418,258)	(78,019)	(505,313)
Net cash flows from financing activities	1,878,897	54,148	841,599	1,522,952	980,399
Net increase/(decrease) in cash and cash equivalents	(1,374,764)	49,636	1,018,828	2,134,660	80,686
Effect of foreign exchange rate changes, net	(52,369)	(164,148)	(103,595)	14,367	19,990
Cash and cash equivalents at beginning of year/period	3,865,385	2,438,252	2,323,740	2,323,740	3,238,973
Cash and cash equivalents at end of Year/Period	2,438,252	2,323,740	3,238,973	4,472,767	3,339,649

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Information Memorandum, the risks and uncertainties described below. The business, financial condition or results of operations of the Company and the Group may be materially adversely affected by any of these risks. The risks described below are not the only ones relevant to the Company, the Group or the Bonds. Additional risks and uncertainties not presently known to the Company or the Group, or which the Company or the Group currently deems immaterial, may also have an adverse effect on an investment in the Bonds. The market price of the Bonds could decline due to any of these risks and investors may lose all or part of their investments.

Risks Relating to the Group's Business and Industry

The Group depends on a limited number of key products; if the Group is unable to maintain the sales volumes, pricing levels and profit margins of the Group's key products, the Group's revenues and profitability could be adversely affected.

Since the Group depends on the sales of its 16 key products and expects to continue to depend on a limited number of key products, the Group may be particularly susceptible to factors adversely affecting the sales volumes, pricing levels or profitability of any of the Group's key products.

Many of the factors discussed below could adversely affect the Group's key products, including exclusion from the relevant medical insurance catalogues, the impact of government price controls, lack of success in the centralised tender process necessary for sales to PRC public hospitals and other medical institutions, interruptions in the supply of raw materials, increases in the costs of raw materials, issues with product quality or side effects, sale of substitute products by competitors, intellectual property infringements, adverse changes in sales and distribution channels and unfavourable policy or regulatory changes. Many of these factors are outside the Group's control. Any factor adversely affecting the sales volumes and pricing levels of the Group's key products may cause the Group's revenues and profitability to decline.

If the Group's products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, the Group's sales and profitability could be adversely affected.

Under the national medical insurance programme in the PRC, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in the National Reimbursement Drug List (the "**NRDL**"), relevant provincial medical insurance catalogues or included in provincial insurance schemes regarding special medications for the treatment of major diseases. According to the PRC National Bureau of Statistics, approximately 1.3 billion people in China were enrolled in the national medical insurance programme as of 2023. Consequently, the inclusion or exclusion of a pharmaceutical product in the relevant medical insurance catalogues will significantly affect the demand for such product in the PRC.

A number of the Group's pharmaceutical products, including but not limited to the Group's certain key products, are currently included in the NRDL. The selection of pharmaceutical products for inclusion in a medical insurance catalogue in the PRC is based on a variety of factors, including clinical needs, frequency of use, effectiveness and price, many of which are outside of the Group's control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise, or change the scope of reimbursement for, the products that are listed in the medical insurance catalogues. There can be no assurance that any of the Group's products currently listed in the relevant medical insurance catalogues will remain listed, or that changes on the scope of reimbursement will not negatively affect the Group's products. If any of the Group's products are removed from the relevant medical insurance catalogues, or if the scope of reimbursement is reduced, demand for the Group's products may decrease and the Group's revenues and profitability could be adversely affected.

The prices of certain of the Group's products are subject to pricing regulation, competition and other factors and therefore may decrease.

It is typical in China that the prices of pharmaceutical products will decline over the life of the product as a result of, among other things, the centralised tender process, regulation on price by the PRC government, or increased competition from substitute products, including due to voluntary price adjustments by pharmaceutical companies, including producers of the originator brands, whether or not voluntary or as a result of government regulations or policies.

Unapproved imports of prescription drugs from foreign countries are illegal under the current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. Cross-border imports from lower-priced markets into higher priced markets could harm sales of the Group's drug products and exert commercial pressure on pricing. Relevant laws and regulations may not be effectively enforced to prevent such illegal imports. Moreover, there can be no assurance that relevant government authorities will not change regulations or policies in the future with respect to imports of prescription drugs from foreign countries.

Prior to 1 June 2015, pricing regulation in the PRC pharmaceutical industry was mainly in the form of maximum retail prices on pharmaceutical products included in the relevant national or provincial medical insurance catalogues. These retail price ceilings were historically determined by the NDRC based on a variety of factors, including the profit margins enjoyed by manufacturers and deemed reasonable by the relevant government authorities, the product's type, quality and production costs, as well as the prices of substitute pharmaceutical products. Although there is no control over the wholesale prices at which pharmaceutical manufacturers in the PRC sell their products to distributors, control over and downward adjustments on retail prices of the Group's products could increase pricing pressure in any subsequent centralised tender process at the provincial level and indirectly limit the wholesale prices at which the Group can sell the relevant products to its distributors.

In May 2015, pursuant to a notice issued by seven PRC state agencies, including the NDRC and the China National Medical Products Administration (the "**NMPA**"), government price controls on most pharmaceutical products were lifted effective as of 1 June 2015. As a result, prices of pharmaceutical products are currently determined mainly by market competition through the centralised tender process at the provincial level, without being subject to price ceilings set by the NDRC. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the similar products at more competitive prices may force the Group to lower prices of its products upon commercialisation to the previous government-controlled price levels. In addition, some new methods are used in recent centralised tender process at the provincial level, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by the statutory tender process, which may further increase pricing pressure. There is no guarantee that the new policies would not create any downward pressure on the prices of the Group's existing and future products.

The prices of the Group's products have been susceptible to pricing pressure coming from manufacturers of competing products. In addition, the lifting of price ceilings, which provided more incentives for manufacturers to develop innovative products, could also adversely affect the wholesale prices at which the Group can sell the relevant products to its distributors. Under the terms of the Group's distributorship agreements, the Group and the relevant distributor may adjust the price of the Group's products in the event of a price change as a result of regulatory or policy changes or bidding. Under such circumstances, the Group bears the upside potential as well as the downside risk from such price changes for products delivered prior to such price change but not yet sold to hospitals by the time of such price change.

In November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance published the Papers on Centralised Drug Procurement in "4+7" Cities (the "**Papers**"), which launched

the national pilot scheme for tendering with minimum procurement quantities. The Paper listed 31 drugs for this pilot scheme together with an intended quantity commitment for each drug. The manufacturers and importers of the drugs are invited to bid to supply the drugs to public medical institutions in the "4+7" cities. The move is aimed at reducing drug prices and may potentially impact how generic drugs are priced and procured in China. On 1 January 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralised Procurement and Use of Drugs Organised by the State (the "**Notice**") (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》). The Notice provides additional detailed measures in the implementation of the national pilot scheme for drugs centralised tendering with minimum procurement quantities in the 4+7 cities.

According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralised Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), which was promulgated and came into effect on 25 September 2019, together with the Documents on National Centralised Drug Procurement (GY-YD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) issued by the Joint Procurement Office on 29 December 2019, the model of centralised procurement with target quantity in the pilot program for conducting centralised procurement and use of drugs will be promoted nationwide and all manufacturers of drugs within the scope of centralised procurement marketed in China, with the approval of the medical products administration, may participate in the pilot scheme.

On 29 July 2020, the Joint Procurement Office issued the Documents on National Centralised Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) to launch the third batch of the volume-based procurement, according to which, 56 drug varieties were included in the catalogue of procurement. On 15 January 2021, the Joint Procurement Office issued the Documents on National Centralised Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件(GY-YD2021-1)》) to launch the fourth batch of the volume-based procurement, according to which, 45 drug varieties were included in the catalogue of procurement.

A drug being offered for tender must belong to one of the following categories:

- an originator drug or reference preparations used for consistency evaluation designated by the NMPA;
- a generic drug that has passed the consistency evaluation;
- a generic drug approved for registration according to the NMPA Notice No. 51 (2016); or
- a drug included in the Catalogue of the Drugs Marketed in China.

The tenderer must also ensure that its annual production and sales capacity can satisfy the intended minimum quantity requirement. Public hospitals must prioritise their drug purchasing from the successful bidder during the procurement cycle, calculated from the execution date of the successful bid result, until the quantity commitment has been satisfied. Once the quantity commitment is satisfied, the excess is still procured at the selected price until the expiration of the procurement cycle.

For the NRDL, a yearly dynamic adjustment has become the new normal. Hundreds of exclusive products have been included in the NRDL by the negotiation with National Healthcare Security Administration (the "**NHSA**") of China in the past two years. In 2019, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 60.7%. In 2020, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 50.6%. Lipusu has been included in the 2020 NRDL with a price cut of 67%. In 2021, exclusive products successfully included in the NRDL by the negotiation had an average price cut of 61.7%. In January 2023, Lipusu successfully renewed its inclusion in category B of China's NRDL with its original payment standard. All indications of Lipusu,

including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL. In December 2023, Baituowei has been included in the NDRL, and Rykindo has been included in the NRDL again under a renewed contract, maintaining the same payment standard under the health insurance remaining. In addition, in December 2023, Boyounuo has been included in the latest NRDL for all of its five indications.

If the retail prices of the Group's products decline due to government pricing regulation, competition or other factors, there can be no assurance that the Group will be able to mitigate the adverse effects of such price reductions without incurring substantial expenses to improve the Group's products, and the Group's margins and profitability could be materially and adversely affected.

The Group operates in a highly competitive environment, and the Group may not be able to compete effectively against current and future competitors, which could adversely affect the Group's revenue and profitability.

The Group operates in a highly competitive environment. The Group's products primarily compete on the basis of efficacy, price and general market acceptance. The Group's key competitors are large national and regional manufacturers of pharmaceutical products, including large state-owned pharmaceutical companies. The Group also competes with multinational pharmaceutical companies.

The Group's competitors may be able to successfully develop or market effective substitutes for the Group's products for a number of reasons, including:

- the patents for the Group's current products, as well as a substantial portion of the product candidates the Group intends to develop, generally relate to the products' delivery systems, compositions, preparation methods or production processes etc., and therefore, the Group's competitors may formulate substitute products utilising the same active pharmaceutical ingredients;

- certain of the Group's key products have been sold in the PRC market for a very long time, which makes these products susceptible to substitute products that are more effective clinically or cost-wise as a result of technological developments, changes in treatment protocols and other medical advances that have occurred subsequent to the initial development of the Group's products;

- the Group's products typically target conditions that are in high demand for medical treatment in China, and, as a result, the Group's competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, some of whom may have greater financial and research and development resources than the Group, may elect to focus these resources on developing, importing or in-licensing and marketing products in the PRC that are substitutes for the Group's products or in areas where the Group is developing product candidates or new indications for the Group's existing products; and

- many of the competitors of the Group, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, have more extensive sales and marketing resources than the Group, which enables them to have better access to hospitals and medical institutions in order to gain market acceptance for their substitute products.

Some of the Group's products are first-to-market generic drugs based on originator drugs, and the protection or monitoring period, if any, for many of the Group's products has lapsed, and they face strong competition from the originator drug and other generic products in the PRC market. Manufacturers of originator drugs may decide to lower their prices, which may put pricing pressure on the generic version of that drug. Some of these competing products have experienced rapid growth in recent years, particular

in lower-tier markets. If the Group fails to protect the Group's products from competition and remain competitive, the Group's revenue and profitability may be materially and adversely affected.

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

In addition, there may also be significant consolidation in the pharmaceutical industry among the Group's competitors, or alliances developed among competitors that may rapidly acquire significant market share. If the Group fails to effectively compete with the Group's competitors or adjust to structural changes in the pharmaceutical industries, the Group's revenue and profitability may be materially and adversely affected.

If the Group is unable to win bids to sell the Group's products to PRC public hospitals through the centralised tender processes, the Group will lose market share and the Group's revenues and profitability could be adversely affected.

A substantial portion of the products the Group sell to the Group's customers are then sold to public hospitals and other medical institutions owned or controlled by government authorities in China. Each public medical institution owned by the government at the county level or higher or owned by state-owned enterprises, including state-controlled enterprises, must make substantially all of their purchases of pharmaceutical products through a centralised tender process. The Group submits bids in a tender process to supply the Group's products to these institutions at specified prices. The Group's bids are generally considered on the basis of price relative to substitute products and their clinical effectiveness, as well as the quality of the Group's products and services, among other things. If the Group is successful in winning bids in a centralised tender process, the relevant products will be sold to the public hospitals and other medical institutions at the bid prices, which in part determine the prices at which the Group sell the Group's products to the Group's distributors. The centralised tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. The Group's sales volumes and profitability depends on the Group's ability to successfully differentiate the Group's products and price the Group's bids in a manner that enables the Group to succeed in the centralised tender processes at profitable levels. If the Group is unable to differentiate its products or is otherwise not successful in winning bids in the centralised tender processes at profitable levels in the future, the Group will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant PRC public hospitals and other medical institutions.

The Group may fail to win bids in a centralised tender process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, the relevant product is perceived to be less clinically effective than competing products or the Group's services or other aspects of the Group's operations are perceived to be less competitive. If the Group's products are not selected in the centralised tender processes in one or more regions, the Group will be unable to sell the relevant products to the public hospitals and other medical institutions in those regions, and the Group's market share, revenues and profitability could be adversely affected.

The pharmaceutical industry is highly regulated and the Group may be subject to increased costs of compliance; if the Group or parties on whom the Group relies fail to maintain the necessary licences for the development, production, promotion, sale and distribution of the Group's products, the Group's ability to conduct business could be materially impaired.

The PRC pharmaceutical industry is highly regulated. The Group is governed by various local, regional and national regulatory regimes in various aspects of the Group's operations, including licencing and

certification requirements and procedures for manufacturers of pharmaceutical products, operating and safety standards, as well as environmental protection regulations. There can be no assurances that the legal framework, licencing and certification requirements or enforcement trends in the Group's industry will not change in a manner that does not result in increased costs of compliance, or that the Group will be successful in responding to such changes. In addition, the Group is subject to the risk of adverse changes to favourable policies from which the Group currently benefit, and the introduction of unfavourable policies.

The Group is also required to obtain, maintain and renew various permits, licences and certificates in order to develop, produce, promote and sell the Group's pharmaceutical products, and the third parties on whom the Group may rely to develop, produce, promote, sell and distribute the Group's products may be subject to similar requirements. The Group and parties on whom the Group relies, such as distributors, third party promoters and sub-contract manufacturers may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licences and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licences and certifications may change from time to time, and there can be no assurances the Group or the parties on whom the Group rely will be able to meet new criteria that may be imposed in order to obtain or renew the necessary permits, licences and certifications. Many of such permits, licences and certificates are material to the operation of the Group's business, and if the Group or parties on whom the Group relies fail to maintain or renew material permits, licences and certifications, it could materially impair the Group's ability to conduct the Group's business. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, so as to require the Group or parties upon whom the Group relies to obtain any additional permits, licences or certifications that were previously not required to operate the Group's business, there can be no assurances that the Group or parties upon whom the Group rely will successfully obtain such permits, licences or certifications.

If the Group's employees, distributors or third party promoters engage in corrupt practices, it could harm the Group's reputation and expose the Group to regulatory investigations, costs and liabilities.

The Group does not fully control the interactions the Group's employees, distributors and third party promoters have with hospitals, medical institutions and doctors, and the way in which they are compensated may incentivise them to increase sales volumes of the Group's pharmaceutical products through corrupt or other improper means that constitute violations of the PRC anti-corruption and other related laws. In the pharmaceutical industry in the PRC and other markets, corrupt practices include, among other things, acceptance of kickbacks, bribes or other illegal gains or benefits by hospitals and other medical institutions or doctors from pharmaceutical manufacturers and distributors in connection with the procurement or prescription of certain pharmaceutical products. If the Group's employees, distributors or third party promoters engage in corrupt or other improper conduct or violate applicable anti-corruption laws in the PRC or other jurisdictions, it could harm the Group's reputation and expose the Group to regulatory investigations, costs and liabilities. There can be no assurance that there will be no corrupt or other improper conduct by the Group's employees, distributors or third party promoters in the future, or that such corrupt or other improper conduct will not expose the Group to regulatory investigations, costs and liabilities.

Furthermore, the Group could be held liable for actions taken by the Group's employees, third party promoters or distributors, including any violations of applicable law in connection with the marketing or sale of the Group's products, or anti-corruption laws and regulations of China or other jurisdictions. Moreover, the PRC government authorities have recently increased their efforts to combat corrupt, illegal or improper business practices in the PRC pharmaceutical industry, which could subject the Group's employees, distributors and third party promoters to heightened scrutiny. If the Group's employees, distributors or third party promoters, either knowingly or unknowingly, engage in corrupt or improper

conduct in connection with the marketing, promotion or sales of the Group's products, it could harm the Group's reputation and expose the Group to regulatory investigations, costs and liabilities.

If the Group is involved in criminal, investigational or administrative procedure for commercial bribery, the Group will be listed in the Adverse Records of Commercial Briberies by provincial health and family planning administrative department, as a result of which the Group's products cannot be purchased by public medical institutions as well as medical and health institutions receiving financial subsidies in local province and public medical institutions as well as medical and health institutions receiving financial subsidies in other provinces shall lower the Group's rate in the bidding and purchasing process in two years since the publication of the record pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry.

If the Group's products cause, or are perceived to cause, severe side effects, the Group's revenues and profitability could be adversely affected.

The Group's pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are outside of the Group's control. These factors include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by the Group's quality management system or misuse of the Group's products by end-users. The Group's products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable.

In addition, the Group's products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as the Group's products cause or are perceived to have caused severe side effects, or if one or more regulators, such as the NMPA, United States Food and Drug Administration ("**FDA**") or the European Medicines Agency, or an international institution, such as the WHO, determines that products containing the same or similar pharmaceutical ingredients as the Group's products could cause or lead to severe side effects.

If the Group's products cause, or are perceived to cause, severe side effects, the Group may face a number of consequences, including:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- the recall or withdrawal of the relevant products;
- removal of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of the Group's products and the reputation of the Company;
- removal of relevant products from the relevant medical insurance catalogues; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

As a result of these consequences, the Group's sales and profitability could be adversely affected.

If the Group's products are not produced to the necessary quality standards, it could harm the Group's business and reputation, and the Group's revenues and profitability could be adversely affected.

The Group's products and manufacturing processes are required to meet certain quality standards. The Group has established a quality control management system and standard operating procedures to help

prevent quality issues in respect of the Group's products. Please refer to "*Description of the Group Production — Quality Management*" for further details of the Group's quality control management system and standard operating procedures. Despite the Group's quality control system and procedures, the Group cannot eliminate the risk of errors, defects or failure. Quality defects may fail to be detected or cured as a result of a number of factors, many of which are outside the Group's control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by the Group's quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials the Group purchase or produce.

Moreover, the Group currently subcontracts a minor portion of its production and may in the future keep subcontracting a portion of the Group's production to meet market demands. Despite the Group's guidelines and agreements with subcontracting manufacturers, they may fail to meet the necessary quality standards and the Group may fail to prevent the products from being delivered to end-users. In addition, if the Group's subcontracting manufacturers fail to produce any of their other products in accordance with the necessary quality standards, it could harm their reputation and adversely affect the Group's sales of products produced by these subcontracting manufacturers.

Failure to detect quality defects in the Group's pharmaceutical products or to prevent such defective products from being delivered to end-users could result in patient injury or death, product recalls or withdrawals, licence revocation or regulatory fines, or other problems that could seriously harm the Group's reputation and business, expose the Group to liability, and adversely affect the Group's revenues and profitability.

If the Group is subject to product liability claims, it could expose the Group to costs and liabilities and adversely affect the Group's reputation, revenues and profitability.

The Group is exposed to risks associated with product liability claims as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the PRC and other jurisdictions in which the Group's pharmaceutical products are marketed and sold. Such claims may arise if any of the Group's products are deemed or proven to be unsafe, ineffective, defective or contaminated or if the Group is alleged to have engaged in practices such as improper, insufficient or improper labelling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurances that the Group will not become subject to product liabilities claims or that the Group will be able to successfully defend itself against any such claims. If the Group is unable to defend itself against such claims in the PRC, among other things, the Group may be subject to civil liability for physical injury, death or other losses caused by the Group's products and to criminal liability and the revocation of the Group's business licences if the Group's pharmaceutical products are found to be defective. In addition, the Group may be required to recall the relevant pharmaceutical products, suspend sales or cease sales. Other jurisdictions in which the Group's products are, or may in the future be, sold, in particular in more developed markets including the United States, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose the Group to the risk of product liability claims. Even if the Group is able to successfully defend itself against any such product liability claims, doing so may require significant financial resources and the time and attention of the Group's management. Moreover, even the allegation that the Group's pharmaceutical products are harmful, whether or not ultimately proven, may adversely affect the Group's reputation and sales volumes.

If the Group suffers substantial disruption to any of the Group's production facilities, the Group's business could be adversely affected.

Substantially all of the Group's revenue was generated by sales of products produced at the Group's production facilities. The continued operation of the Group's production facilities can be substantially interrupted due to a number of factors, many of which are outside of the Group's control, including fire, flood, earthquakes, health or public security hazards, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or other natural disasters, as well as loss of licences, certifications and permits, changes in governmental planning for the land underlying these facilities and regulatory changes. Since December 2019, a novel strain of coronavirus, or COVID-19, has become widespread in China and around the world. In March 2020, the World Health Organization declared the COVID-19 a pandemic, given its threat beyond a public health emergency of international concern that the organisation had declared in January 2020. Since the beginning of 2020, China and many other countries have taken various restrictive measures to contain the virus' spread, such as quarantines, travel restrictions and home office policies. During the year ended 31 December 2021, the Group's business was influenced by COVID-19 and global economic fluctuations but still maintained stability. The Group recorded a decrease in revenue of 6.1% in the year of 2021 as compared to that of 2020. Since December 2022, the Chinese government has taken measures to lift the pandemic-related restrictions on social and economic activities to facilitate people's return to normalcy. However, there is no assurance that such kind of health epidemic or even a more severe pandemic will not occur again in the future.

If the operation of any of the Group's production facilities is substantially disrupted, the Group may not be able to replace the equipment or inventories at such facility, or use a different facility or a third party contractor to continue the Group's production in a legal, timely and cost-effective manner or at all. Although the Group maintains property insurance for the Group's production facilities and equipment the Group does not maintain business interruption insurance and the amount of the Group's insurance coverage may not be sufficient to cover the Group's losses in the event of a significant disruption to any of the Group's production facilities. As a result of disruption to any of the Group's facilities, the Group may fail to fulfil contract obligations or meet market demand for the Group's products, and the Group's business, revenues and profitability could be adversely affected.

If the Group's competitors successfully market effective substitutes for any of the Group's pharmaceutical products, or the Group experience increased competition in the PRC pharmaceutical market generally, it could adversely affect the Group's revenue and profitability.

The Group's products primarily compete with products that are indicated for similar conditions as the Group's products on the basis of efficacy, price and general market acceptance by doctors, hospitals and patients. The Group's competitors may be able to successfully develop or market effective substitutes for the Group's products for a number of reasons, including:

- the patents for the Group's current products, as well as a substantial portion of the product candidates the Group intends to develop, generally relate to the products' delivery systems, compositions, preparation methods or production processes, etc. Therefore, the Group's competitors may formulate substitute products utilising the same active pharmaceutical ingredients;

- most of the Group's key products have been sold in the PRC market for a number of years, which makes these products susceptible to substitute products that are more clinically or cost effective as a result of technological developments, changes in treatment protocols and other medical advances that have occurred subsequent to the initial development of the Group's products;

- the Group's products typically target conditions that are in high demand for medical treatment in China, and, as a result, the Group's domestic and overseas competitors, some of whom may have

greater financial and R&D resources than the Group, may elect to focus these resources on developing, importing or in-licencing and marketing products in the PRC that are substitutes for the Group's products and may have broader sales and marketing infrastructures with which to do so; and

- many of the Group's competitors have more extensive sales and marketing resources than the Group, which enables them to have better access to hospitals and medical institutions in order to gain market acceptance for their substitute products.

The Group's products may also face increased competition from substitute products manufactured by overseas pharmaceutical companies that are seeking to initially access or further penetrate the PRC market. To the extent that the Group's competitors' substitute products are, or are perceived to be, more clinically or cost effective, or otherwise gain wider market acceptance than any of the Group's pharmaceutical products, it could adversely affect the Group's sales volumes and pricing levels for the relevant products. Moreover, the Group may be adversely affected by increased competition in the pharmaceutical industry generally. If pharmaceutical products manufactured overseas are perceived more favourably than products manufactured domestically in the PRC, it could erode the Group's market share. In the event that the Group experiences adverse effects on the Group's sales volumes or pricing levels as a result of competition from substitute products, or loss of market share due to increased competition from domestic or overseas pharmaceutical companies, it could adversely affect the Group's revenue and profitability.

The Group relies on a limited number of suppliers for the Group's raw materials and active pharmaceutical ingredients; if any of such suppliers fails to continue to supply the Group with raw materials at commercially acceptable prices, the Group's sales volumes and margins for the relevant product could be adversely affected.

The Group relies on a limited number of suppliers for the raw materials and active pharmaceutical ingredients necessary for the production of the Group's pharmaceutical products. There is no assurance that the Group's suppliers will continue to sell products to the Group on commercially acceptable terms, or at all. The Group also cannot assure you that the Group will be able to establish new supplier relationships, or renew the Group's agreements with the Group's existing suppliers when they expire.

Moreover, the Group is exposed to the risk of inadequate supplies of raw materials and active pharmaceutical ingredients, as well as price increases. The availability and prices of raw materials and active pharmaceutical ingredients required for the Group's production of pharmaceutical products may be impacted by factors such as general market conditions, including increased demand for such materials and ingredients from producers of substitute products or from alternative uses, weather conditions and the occurrence of natural disasters, many of which are outside of the Group's control. In the event that any of the Group's suppliers fails to continue to supply the Group with adequate quantities of raw materials at commercially reasonable prices, the Group may not be able to procure raw materials and active pharmaceutical ingredients from other sources on similar commercial terms.

In addition, certain of the Group's raw materials are imported from overseas, and the Group may fail to obtain the permits and licences required for the importation of these raw materials. The Group may also be unable to respond to increases in the prices for raw materials and active pharmaceutical ingredients due to the Group's reliance on a limited number of suppliers or for other reasons, and unable to pass on such price increases to the Group's customers due to governmental price controls for pharmaceutical products in China or competitive conditions for the Group's products. In the event of any disruption to the Group's supply of the raw materials and active pharmaceutical ingredients necessary for the production of the Group's pharmaceutical products at commercially acceptable prices, the Group may be forced to reduce, suspend or cease production or sale of certain of the Group's pharmaceutical products, and the Group's sales volumes for the relevant product could be adversely affected. Increases in the prices to the

raw materials and active pharmaceutical ingredients necessary for the production of the Group's pharmaceutical products could also adversely affect the Group's margins for the relevant product.

The Group has experienced fluctuations in its net profit/loss and may experience further fluctuations in the future.

The Group's business, financial condition and results of operations have been and will continue to be dependent on the sales of its key products and expects to continue to depend on a limited number of key products. The Group has experienced fluctuations in its net profit/loss and may experience further fluctuations in the future. For instance, the Group incurred a net loss of RMB144.8 million for the year ended 31 December 2021, attributable to a decrease in the average selling price of a few of the Group's key products for the year ended 31 December 2021, as compared to the year ended 31 December 2020. For the year ended 31 December 2022, the Group recorded a net profit of RMB583.3 million, representing an increase of approximately 502.9% from the previous year, attributable to higher sales of higher margin products of the Group for the year ended 31 December 2022. For the year ended 31 December 2023, the Group recorded a net profit of RMB539.1 million, representing a slight decrease of approximately 7.6% from the previous year. Any factor adversely affecting the sales volumes and pricing levels of the Group's key products may cause the Group's revenues and profitability to decline. There can be no assurance that the Group can achieve and sustain profitability in the future, and in the event of any unfavourable developments, the Group's business, financial condition and results of operations may be materially and adversely affected. See also "— *The Group depends on a limited number of key products; if the Group is unable to maintain the sales volumes, pricing levels and profit margins of the Group's key products, the Group's revenues and profitability could be adversely affected.*".

If the Group fails to maintain an effective distribution network for the Group's pharmaceutical products, the Group's business could be adversely affected.

The Group has developed an extensive distribution network on which the Group relies to distribute the Group's pharmaceutical products in order to meet market demand and maintain the Group's market share in the PRC. The Group's ability to maintain and grow the Group's business will depend on the Group continuing to maintain and manage a distribution network that timely delivers the Group's products in all of the provinces, municipalities and autonomous regions in China where the Group generate market demand through the Group's sales and marketing activity, or otherwise. However, the Group's distributors are third parties over whom the Group has limited control. The Group's distributors may not distribute the Group's pharmaceutical products in the manner contemplated by the Group, which could impair the effectiveness of the Group's distribution network.

Moreover, the Group's distributors might elect not to renew their agreements with the Group upon the expiry of the distribution agreements or otherwise terminate their business relationships with the Group for various reasons, including if PRC price controls or other factors limit the margins they can obtain through the resale of the Group's pharmaceutical product to hospitals, medical institutions and sub-distributors. The Group's strategies also contemplate that the Group will seek to expand the Group's distribution network, including to broaden the Group's coverage of county-level hospitals and hospitals in smaller cities, which will require the Group to establish relationships with new distributors on commercially acceptable terms, and there can be no assurances that the Group will be able to do so. In the event that a significant number of the Group's distributors terminate their relationships, or the Group otherwise unable to maintain and expand the Group's distribution network effectively, the Group's sales volumes and business prospects could be adversely affected.

If the Group's third party promoters fail to effectively market and promote the Group's products, it could adversely affect the Group's sales for the relevant products.

A significant portion of the marketing and promotion of the Group's products is conducted through third party promoters. For example, since 2019 the Group granted the promotion right of one of the 16 key

products, Xuezhikang Capsules to AstraZeneca in mainland China. The Group's ability to continue to generate and increase demand for the Group's products depends on the Group's ability to continue to maintain and manage an effective third party promotion network. However, the Group has limited control over third party promoters, which may expose the Group to a greater risk that such products may not be effectively promoted in the manner contemplated by the Group's centralised sales and marketing strategies than if the Group conducted the marketing and promotion activity using the Group's internal sales force. The failure of the Group's third party promoters to effectively promote the Group's products could have an adverse effect on the Group's sales volumes for the relevant products, as well as the Group's brand value. The Group's third party promoters may elect not to renew their promotion agreements with the Group upon expiry of such promotion agreements or otherwise to terminate their business relationships with the Group for a number of reasons, many of which are outside the Group's control, including to promote competing products. In the event that the Group's third party promoters were to fail to effectively promote the Group's pharmaceutical products or terminate their business relationship with the Group, there can be no assurances that the Group will be able to enter into similar relationships with other third party promoters in time, or at all, which could adversely affect the Group's sales volumes for the relevant products. In addition, if the Group fails to effectively manage the Group's third party promotion network, the Group may be unable to extend the Group's coverage and deepen the Group's market penetration in the manner contemplated by the Group's strategies, and such network may not provide the Group with the benefits of operational flexibility and resource allocation the Group contemplate.

If the Group is unable to attract, motivate and retain a sufficient number of qualified marketing, promotion and sales personnel, it could adversely affect the sales volumes of the Group's products and the Group's business prospects.

The Group intends to deepen its market penetration and expand the Group's coverage of hospitals and other medical institutions through efficient sales and marketing efforts and to conduct the Group's marketing and promotion activities for the Group's new products. The success of the Group's strategies depends on the Group's ability to attract, motivate and retain qualified and professional employees in the Group's marketing, promotion and sales teams that are, among other things, sufficiently expert in the relevant therapeutic area and able to communicate effectively with doctors and other medical professionals. Competition for experienced marketing, promotion and sales personnel products is intense. If the Group is unable to attract, motivate and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, it could adversely affect the sales volumes of the Group's products and the Group's ability to continue to extend the Group's hospital coverage and deepen the Group's market penetration in the manner the Group contemplates.

If the Group is unable to adequately protect the Group's intellectual property, or if the scope of the Group's intellectual property fails to sufficiently protect the Group's proprietary rights, other pharmaceutical companies could compete against the Group more directly, which may have a material adverse impact on the Group's business and results of operations.

As of 30 June 2024, the Group had been granted 272 patents and had 66 pending patent applications in the PRC, and had been granted 552 patents and had 123 pending patent applications overseas. The Group also has a number of registered trademarks, registered domain names and registered copyrights. The Group's commercial success depends in part on the Group's ability to protect the Group's existing intellectual property and to obtain additional patents or other intellectual property, in particular to product from direct substitute products. Please refer to "*Description of the Group — The Group's Products*" for further details of the Group's material intellectual property.

If the Group does not adequately protect the Group's intellectual property, competitors may be able to imitate the Group's products, use the Group's technologies and erode or negate any competitive advantage the Group may have, which could harm the Group's business and ability to achieve

profitability. Furthermore, the Group cannot assure you that any of the Group's pending patent applications will mature into issued patents, or that such patents, if issued, will provide the Group with adequate proprietary protection or competitive advantages. The PRC adopts a first to file system for patent application, under which whoever files the same application first will be awarded the patent if all patentability requirements are met. As a result, a third party may be granted a patent relating to a technology the Group believes the Group invented.

There are a number of factors that could cause the Group's existing patents or other intellectual property to become invalid or unenforceable, including known or unknown prior art, deficiencies in patent applications and lack of originality in the underlying technologies. Certain of the Group's patented technologies, including the Group's liposome technology and the microsphere technology, are utilised in a number of the Group's products and product candidates and if the patents relevant to these technologies were to be declared invalid or unenforceable, it could have an adverse impact on the sales volumes and pricing levels for such products and the Group's ability to successfully commercialise such product candidates.

In addition, the patents and patent applications for the Group's current products, as well as a substantial portion of the product candidates the Group intend to develop, generally relate to the delivery systems, compositions, preparation methods or production processes of the relevant products and do not cover the active pharmaceutical ingredients. Therefore, such patents may be insufficient to protect the Group from the development of substitute products by competitors. Competitors may be able to develop substitute products by designing around the Group's products using the same active pharmaceutical ingredients.

Furthermore, the patents that the Group holds, including the patents for each of the Group's key products, are for a finite duration. Following the expiration of the relevant patents, the Group's existing or future competitors may be able to develop and introduce direct substitute products to the Group's key products which may be identical in formulation. In the event that the Group's competitors introduce direct substitutes for these products, it could have an adverse impact on the sales volumes and pricing levels for such products.

Moreover, intellectual property rights protection in China may not be as effective as in developed countries. Detecting and policing unauthorised use of proprietary technology are difficult and expensive. The Group may need to resort to litigation to enforce or defend patents issued to the Group or determine the enforceability, scope and validity of the Group's proprietary rights or those of others. An adverse determination in any such litigation could materially impair the Group's intellectual property rights. If the Group's intellectual property rights are inadequate as a result of the narrow scope of the patents granted or third parties' infringement, or the Group otherwise fails to sufficiently protect the Group's intellectual property, the Group's business, financial condition and results of operations could be adversely affected.

If the Group becomes subject to intellectual property infringement claims, it could divert the Group's management's attention, impair the Group's ability to sell the Group's products and expose the Group to costs and liabilities.

The Group may be subject to intellectual property infringement claims from third parties, including the Group's competitors, who seek to establish their patent, trademark, copyright and other intellectual property rights in respect of products, technologies, trade names and company names relevant to the Group's business. The risk of being subject to intellectual property infringement claims will increase as the Group continues to expand the Group's operations and product offerings. The Group may be unable to determine whether any of the Group's products, processes and other related matters infringe upon the intellectual property rights of others. Regardless of their merit, any such claims would divert the Group's management's attention and result in possibly significant legal costs. If such claims are successful, the Group may be required to obtain licences from, or pay compensation to, the claimants to continue

producing or selling relevant products or using such trademarks, trade names or company names or incur additional costs in reformulating the product to bypass the patent. Such licences, however, may not be available on commercially reasonable terms or at all. In addition, the Group may be forced to discontinue production and selling of the affected products and may be required to compensate the claimant for any infringement.

If the Group or the Group's brand names fail to maintain a positive reputation, many aspects of the Group's business and the Group's business prospects could be adversely affected.

The Group depends on the Group's reputation and the brand names of the Group's products in many aspects of the Group's business, including:

- to gain access to, and for the Group's products to be perceived favourably by, the hospitals and doctors that drive demand for pharmaceutical products in the PRC;
- to effectively work with the authorities that regulate various aspects of the Group's business;
- to gain the trust of consumers of the Group's products;
- to competitively position itself in the centralised tender processes required for the Group's pharmaceutical products to be sold to public hospitals and medical institutions in the PRC;
- to attract employees, distributors, third party promoters, Key Opinion Leaders ("**KOLs**") and co-development partners to work with us; and
- to increase market share of the Group's products through brand recognition.

However, there can be no assurances that the Group will be able to maintain a positive reputation or brand names. The Group's reputation and brand names may be adversely affected by a number of factors, many of which are outside the Group's control, including:

- adverse associations with the Group's products, including with respect to their efficacy or side effects;
- the effects of counterfeit products purporting to be the Group's products;
- lawsuits and regulatory investigations against the Group or otherwise relating to the Group's products or industry;
- improper or illegal conduct by the Group's employees, distributors and third party promoters, whether or not authorised by us; and
- adverse publicity that is associated with the Group, the Group's products or the Group's industry, whether founded or unfounded.

If the Group or the Group's brand names fail to maintain a positive reputation as a result of these or other factors, the Group's products may be perceived unfavourably by hospitals, doctors, regulators and patients, and exist and potential employees, distributors, third party promoters, KOLs and co-development partners, and the Group's business and business prospects could be adversely affected.

If counterfeit versions of the Group's products become available in the market, it could affect the Group's sales, damage the Group's reputation and the brand names for the relevant products and expose the Group to liability claims.

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licences or approvals or fraudulently mislabelled with respect to their content or manufacturer. These

products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as the PRC, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating the Group's products. Consequently, certain pharmaceutical products sold in the PRC and other markets may be counterfeit products. Since counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and are in some cases are very similar in appearance to the authentic pharmaceutical products, counterfeit products imitating the Group's own pharmaceutical products can quickly erode the Group's sales volume of the relevant product. Moreover, counterfeit products may or may not have the same chemical composition as the Group's products, which may make them less effective than the Group's products, entirely ineffective or more likely to cause severe adverse side effects. This could expose the Group to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against the Group. The appearance of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in the healthcare markets from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like the Group, particularly in overseas markets. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect the Group's sales, damage the Group's reputation and the brand names for the relevant products and expose the Group to liability claims.

The Group intends to grow the Group's business in part through acquisitions; if the Group fails to successfully complete acquisitions or enhance post-acquisition performances in the future, it could have an adverse effect on the Group's business prospects.

The Group's acquisition strategy has significantly contributed to the Group's historical growth and expansion into new therapeutic areas. The Group holds the rights to certain of the Group's 16 key products as a result of acquisitions after they were first approved for manufacture and sale in the PRC. For example, one of the Group's 16 key products, Seroquel and Seroquel XR, was acquired from AstraZeneca in June 2018 for a consideration of U.S.$546,000,000 payable in four instalments with first instalment of U.S.$260 million paid at the closing of the acquisition and the second instalment of U.S.$240 million due in December 2019. In February 2020, the Group completed the acquisition of 98.0% equity interest in Shandong Boan Biotechnology Co., Ltd. ("**Boan Biotech**"). In June 2020, the Group completed the acquisition of 100.0% equity interest in Boan Biotech. In December 2022, Boan Biotech, completed its global offering and its shares were listed on the main board of the Hong Kong Stock Exchange on 30 December 2022. As at the date of this Information Memorandum, the Group holds approximately 67.28% of the equity interest in Boan Biotech. Acquisitions have formed the basis of the Group's entry into certain of the Group's four key therapeutic areas. Please refer to "*Description of the Group — Merger and Acquisition and Collaborations*" for further information.

The Group may in the future choose to accelerate the Group's business growth through selective acquisitions of suitable pharmaceutical companies. However, the Group's ability to consummate acquisitions is subject to a number of risks and uncertainties, including that:

- the Group is unable to identify suitable acquisition targets and reach agreement on acceptable terms;
- the Group does not have access to financing for acquisitions on acceptable terms;
- the Group fails to obtain the governmental approvals and third party consents necessary to consummate any proposed acquisition; and
- increasingly intense competition for attractive acquisition targets makes the consummation of acquisitions on commercially acceptable terms increasingly difficult.

Even if the Group is able to consummate acquisitions, the Group's ability to successfully grow its business through such acquisitions remains subject to further risks and uncertainties, including that:

- the acquired businesses do not provide the Group with the intellectual property rights, technology, R&D capability, production capacity or sales and marketing infrastructure the Group had anticipated;

- the acquired businesses are subject to unforeseen liabilities;

- the Group is unable to successfully integrate the acquired businesses in order to achieve the expected synergies with the Group's own business or to increase the efficiencies of the acquired businesses in the manner the Group contemplated;

- the Group is unable to effectively manage the Group's enlarged business operations, or manage acquired businesses that may operate in new therapeutic areas, markets, regulatory environments or geographic regions; and

- the acquired businesses do not generate the revenue and profitability the Group had anticipated.

Not all of the Group's historical acquisitions have achieved the success the Group had anticipated. To the extent the Group is unable to consummate acquisitions and successfully grow the Group's business through such acquisitions, the Group's ability to achieve future growth of the Group's business consistent with its historical growth rate will more heavily depend on the organic growth of the Group's business, including new product development through internal R&D and in-licencing of products, than it has in the past, and there can be no assurances the Group will be able to achieve similar growth rates organically. Consequently, if the Group fails to successfully complete acquisitions in the future, it could have an adverse effect on the Group's business prospects.

Moreover, the process of seeking and consummating acquisitions and integrating and managing acquired businesses, whether or not they are successful, may divert the Group's resources and management attention from the Group's existing businesses and impair the Group's ability to successfully manage and grow the Group's business organically.

As part of the Group's acquisition strategy, the Group may seek to acquire overseas pharmaceutical companies. Any acquisitions the Group seeks to consummate overseas may expose the Group to greater execution and integration risks, as well as higher transaction costs, than the domestic PRC acquisitions the Group has consummated historically.

New product development is time-consuming and costly, and the outcome is uncertain; if the Group fails to develop and commercialise new pharmaceutical products, the Group's business prospects could be adversely affected.

The Group's long-term competitiveness depends on the Group's ability to develop and commercialise new pharmaceutical products for both the PRC and overseas markets through the Group's R&D activities. For the years ended 2021, 2022 and 2023, and the six months ended 30 June 2023 and 2024, the Group's R&D expenses were equal to 13.1%, 14.3%, 9.5%, 10.2% and 9.1% of the Group's total revenue, respectively. The pharmaceutical product development process is time consuming and costly, and there can be no assurance that the Group's R&D activities will enable the Group to successfully develop new pharmaceutical products. The Group may fail to obtain the necessary approvals, including NMPA approvals, for the development and commercialisation of the Group's product candidates on time or at all. In addition, the R&D process for pharmaceutical products, especially clinical trials, is lengthy and expensive, and the outcome can be highly unpredictable. In particular, the product candidates the Group seeks to develop may fail to meet the safety, efficacy or other standards during the R&D process.

Moreover, there can be no assurance that the Group will be able to successfully commercialise the pharmaceutical products the Group develop. In general, relatively few drug development programmes end up producing a commercial product. Since the product development process is lengthy, the competitive landscape for the pharmaceutical products the Group develops may differ significantly from what the Group had anticipated, particularly because the approval process for new pharmaceutical products is increasingly lengthy, and the Group's products may not hold the competitive advantages in pricing or efficacy that the Group had anticipated during their development. In addition, the products the Group develops may be approved for more limited indications than the Group had anticipated which may make the commercialisation of the product less successful or profitable. The Group could also fail to develop and implement an effective marketing strategy with respect to those products the Group is able to successfully develop. Consequently, the Group's new pharmaceutical products may not yield an appropriate return on the Group's related R&D costs. In the event the Group fails to successfully develop and commercialise new pharmaceutical products, the Group's business prospects could be adversely affected.

The Group may be particularly exposed to risks with respect to the Group's overseas product development programmes. As of 30 June 2024, the Group had a pipeline of 11 product candidates in the U.S., Europe and Japan in various stages of development. The Group's experience in overseas product development and commercialisation may make it less likely that the Group will successfully develop the Group's overseas product candidates, and even if the Group is able to successfully develop new pharmaceutical products, the Group may be disadvantaged in the Group's ability to successfully commercialise such products due to the Group's lack of sales and marketing capabilities and expertise in the relevant overseas market.

The Group plans to expand the Group's international business. If the Group is unsuccessful in the Group's plans, it could have an adverse effect on the Group's business prospects.

The Group sells pharmaceutical products to a number of countries or regions outside of mainland China and active pharmaceutical ingredients to countries or regions outside of mainland China through the Group's international business department. The Group's objective over the longer term is to become a leading pharmaceutical company globally. As of 30 June 2024, the Group had a pipeline of 11 product candidates for overseas markets. The Group also expanded its international business through certain mergers and acquisitions. For example, the Group acquired Seroquel and Seroquel XR from AstraZeneca in June 2018 whereby the Group was granted a licence for the right, title and interest in the "Seroquel" registered trademarks, know-how, product records and regulatory information in certain territories, which covers 51 countries and regions. However, the Group's experience in overseas markets may expose the Group to risks and uncertainties, including:

- the risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which the Group may be unfamiliar, which may differ materially from those in the PRC, in order to obtain the overseas permits, licences and approvals necessary to manufacture or import, market and sell the Group's products in or to overseas jurisdictions;

- the risks associated with commercialising the Group's products in new markets where the Group has limited experience with the dynamics and no sales and marketing infrastructure;

- the risks associated with higher costs for new product development and relying on overseas partners for the development, commercialisation and marketing of the Group's products; and

- the increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sale of pharmaceutical products in overseas markets and the costs incurred dealing with such procedures, as well as the Group's ability to obtain insurance to adequately protect the Group from any resulting liabilities.

The Group's plans may require significant investment but may fail to generate the level of returns the Group expected. If the Group is unable to expand its international business effectively or at all, the Group's business prospects may be adversely affected.

The Group may rely on third parties for aspects of the development and marketing of new pharmaceutical products overseas; if the Group is unable to establish or maintain such relationship with an appropriate partner, or if the Group's partner is unable to deliver effectively or at all, the Group's business prospects could be adversely affected.

As of 30 June 2024, the Group had 27 PRC pipeline product candidates in various stages of development. These candidates included 18 oncology products, 5 central nervous system products and 4 other products. The Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

The Group may seek co-development partners to assist the Group with regulatory requirements and to share costs associated with clinical trials or other aspects of product development. Moreover, the Group may seek assistance from third parties that have the expertise in marketing new products in certain overseas markets.

Although the Group has maintained on-going relationships with a number of overseas pharmaceutical companies in the development of new product candidates and has used third party promoters to market the Group's products overseas, there can be no assurance that the Group will be able to establish or maintain collaborative relationships effectively or at all in the future. Many factors can affect the Group's ability to establish or maintain such relationships, including that the Group may fail to find an appropriate partner for a desired overseas market, the costs of doing so are prohibitively high or legal or administrative procedures are overly complex and time consuming.

Even if the Group were able to establish a collaborative relationship, it may fail to yield the results the Group intended or expose the Group to additional risks. The parties collaborating with the Group may fail to perform pursuant to agreements or meet regulatory standards, or cause clinical trials to be delayed, prematurely terminated or otherwise unsuccessful. In addition, the parties with whom the Group collaborates may misuse, infringe or violate the Group's intellectual properties to their advantage, pursue alternative technologies as a means of developing or marketing products for the diseases targeted by the Group's collaborative programmes, adopt or implement unsuccessful marketing strategies for products that the Group successfully develop or fail to devote the necessary resources to successfully commercialise such products.

Consequently, any co-development strategies the Group employs for overseas markets may not enable the Group to successfully develop or market new pharmaceutical products for overseas markets as planned.

If the Group's preferential tax treatments, tax concessions and tax allowances are not received, become unavailable or otherwise change or terminate, it could adversely affect the Group's profitability.

The Group currently benefits from a number of preferential tax treatments, as well as tax concessions and tax allowances. In particular, the Group had five PRC subsidiaries qualified as High and New Technology Enterprises in 2023. As a result of these or other qualifications, these five subsidiaries have benefited from a preferential PRC income tax rate of 15%, rather than the 25% income tax rate generally applicable to PRC tax resident enterprises under the EIT Law.

The qualification of these five subsidiaries as High and New Technology Enterprises is subject to a validity period. Unless eligible for other preferential tax treatments, each of these subsidiaries will only continue to receive preferential tax treatment if the relevant authorities determine that these subsidiaries

continue to qualify, which depends on a number of factors, including, whether the subsidiary has its own independent, core intellectual property rights, whether the subsidiary's products fall within the scope of supported high and new technology, whether the subsidiary's R&D expenses as a percentage of revenue reaches certain threshold percentages and whether the subsidiary's R&D staff as a percentage of total number of staff reaches certain threshold percentages. If the qualifications are not renewed due to one or more of these or other factors, those subsidiaries will no longer enjoy the 15% preferential income tax rate currently applicable to them and will be subject to the 25% income tax rate. As a result, the Group's post-tax profitability may be adversely affected.

In addition, the current or future preferential tax treatments, tax concessions and tax allowances applicable to the Group's company and the Group's subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. The Group's post-tax profitability may be adversely affected as a result of one or more of these or other factors.

The Group has historically received government grants for the Group's R&D activities and there can be no assurances that the Group will continue to receive such grants, which could increase the Group's R&D costs.

The Group has historically received government grants in the form of subsidies for the purpose of support the Group's research and development activities and operation and to compensate capital expenditure incurred on certain projects. For the years ended 2021, 2022, 2023 and for the six months ended 30 June 2023 and 2024, the Group's government grants recognised as income were RMB118.3 million, RMB87.3 million, RMB137.3 million, RMB81.1 million and RMB108.1 million respectively. The Group's eligibility for government grants is dependent on a variety of factors, including the assessment with respect to the Group's improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the R&D progress made by other pharmaceutical companies. There can be no assurances that the Group will continue to receive similar levels of government grants, or at all. If the Group no longer receive government grants or the amount of government grants the Group receive decreases significantly, the Group's R&D costs may increase, which will affect the Group's profit level.

If subcontracting manufacturers do not produce pharmaceutical products meeting the Group's specifications in sufficient volumes at commercially acceptable prices, the Group's sales volumes and margins for the relevant products could be adversely affected.

The Group currently subcontracts a portion of the production of certain of the Group's products and may in the future subcontract a greater portion of the Group's production of pharmaceutical products to meet increased demand for the Group's existing products or the Group's newly introduced products, particularly if the Group is unable to successfully increase the Group's production capacity. The Group has less control over its subcontractor's production process than the Group's own, and the risks of such products not being produced in the necessary volumes or at the appropriate quality levels are higher than if the Group manufacture in-house. Subcontracting manufacturers may fail to maintain the necessary licences, permits and certificates to carry out production of the Group's products, breach their obligations to produce the Group's products on a timely basis, otherwise cease to conduct subcontracting business or fail to abide by the Group's quality control requirements. Quality issues related to products the Group's subcontracting manufacturers produce for third parties may also be imputed to the products they manufacture for the Group and adversely affect the Group's reputation.

The Group currently appoints its subcontracting manufacturers on an annual basis and expects to continue to do so with any subcontracting manufacturers it appoints in the future in order to comply with applicable PRC regulations. Consequently, the Group is exposed to the risk of increased pricing for its subcontracted production and the risk that the Group may be unable to appoint or re-appoint

subcontracting manufacturers at commercially acceptable prices each year. If the subcontracting manufacturers the Group appoints do not produce pharmaceutical products meeting the Group's specifications in sufficient volumes at commercially acceptable prices, or the Group is unable to appoint subcontracting manufacturers to do so, the Group may have insufficient quantities of its products to meet demand for the relevant products and the Group's sales volumes and margins for the relevant products could be adversely affected.

If the Group's employees, distributors or third-party promoters engage in inappropriate promotion of the Group's products, it could adversely affect the Group's business and reputation.

Despite the Group's guidelines and supervision efforts, the Group's employees, distributors and third-party promoters may fail to provide accurate and complete information about the Group's products, as a result of which hospitals, medical institutions, doctors and patients may misunderstand or misuse the Group's products. Such misunderstanding or misuse could result in the Group's products being less effective, or cause severe adverse effects that could otherwise be avoided. Consequently, sales and reputation of the Group's products could be adversely affected, and the Group could be exposed to product liability lawsuits or regulatory investigations, resulting in penalties, fines or disruption to the Group's operations.

Many of the Group's key products have been sold in the PRC for a long period of time; the Group's margins and profitability could be adversely affected due to the decline of selling prices of these products.

It is typical in the Chinese pharmaceutical industry for the selling prices of pharmaceutical products to decline over the life of the product as a result of, among other things, increased competition from substitute products or price controls by the PRC government. Many of the Group's key products have been sold in the PRC market for a long period of time, which may make these products more susceptible to downward pricing pressure. If the selling prices of some or all of the Group's key products decline or continue to decline due to maturity, government price controls or otherwise, the Group may be unable to mitigate the negative effects of such price reduction, and the Group's margins and profitability could be adversely affected.

The Group's business depends on the Group's key senior management members; if the Group lose and are unable to replace their services, the Group's business prospects could be adversely affected.

The Group's business and growth depend on the continued service of the Group's senior management team. In particular, the industry experience, management expertise and contributions of the Group's Executive Directors and other members of the Group's senior management are crucial to the Group's success. If the Group loses the services of any member of the Group's senior management, the Group may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt the Group's business and growth. Furthermore, as the Group expects to continue expanding the Group's operations and product portfolio, the Group will need to continue attracting and retaining experienced management personnel with extensive managerial, technical, R&D or sales and marketing experience. Competition for experienced management personnel in the pharmaceutical industry is intense, and the availability of suitable and qualified candidates in China is limited. Competition for these individuals could cause the Group to offer higher compensation and other benefits in order to attract and retain them, and consequently increase the Group's operating costs. The Group may be unable to retain the senior management members required to achieve the Group's business objectives, and failure to do so could adversely affect the Group's business prospects.

Increased staff costs could negatively affect the Group's ability to operate efficiently and adversely affect the Group's revenues and profitability.

The cost of labour in the PRC has been steadily increasing over the past years as a result of government-mandated wage increases and other changes in PRC labour laws, as well as competition for

quality employees among pharmaceutical companies. Many aspects of the Group's strategies and business growth may require the Group to have additional employees. The Group may also have additional employees as a result of acquisitions or organic growth of the Group's business. If the Group implement such strategies but fail to realise the benefits and efficiencies the Group anticipate, the Group may be unable to offset the corresponding increases in the Group's staff costs, which adversely affect the Group's revenues and profitability.

The implementation of the Group's strategies and other aspects of the Group's business will require significant funding; if the Group does not have access to sufficient funding, it could adversely affect the Group's business prospects.

The implementation of many aspects of the Group's strategies will require significant funding, including:

- the expenses associated with expanding the Group's sales and distribution network;
- the costs of drug development programmes for the expansion of the Group's portfolio in key therapeutic areas;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow the Group's business internationally through drug development programmes for overseas markets; and
- the capital expenditure required if the Group chooses to increase its production capacity and to make upgrades and enhancements.

In addition, many aspects of the Group's general business operations have on-going funding requirements that may increase over time.

Over the longer term, the Group expects that the implementation of the Group's strategy and business plans will require the Group to rely in part on external financing sources. However, the Group's ability to continue to obtain external financing on commercially reasonable terms will depend on a number of factors, many of which are outside of the Group's control, including the Group's financial condition, results of operations and cash flows, China's economic condition, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If the Group cannot obtain sufficient external funding on commercially acceptable terms to implement the Group's strategies and business plans as currently contemplated, the Group could be required to revise the Group's strategies and business plans, which could adversely affect the Group's business prospects.

The Group's loan agreements contain restrictive covenants that may adversely affect the Group's ability to conduct the Group's business.

As of 30 June 2024, the Group had aggregate interest-bearing loans and borrowings of RMB8,479.2 million. Covenants in these financing agreements, among other things, require the Group's borrowing subsidiaries to obtain prior written consent from the lenders before incurring additional debt, or engaging in certain transactions such mergers and acquisitions, investments and asset sales. Certain loan agreement also contains covenant that requires the respective borrowing subsidiary to obtain lender's prior written consent before paying out dividends. In addition, some loans are guaranteed by the Group's other subsidiaries or secured by pledges of short-term deposits or notes receivables, which limits the Group's ability to provide guaranty or collateral for additional financing. These restrictions may limit the Group's flexibility in responding to business opportunities, competitive developments and adverse economic or industry conditions. A breach of any of these covenants, or a failure to pay interest or indebtedness when due under any of the Group's credit facilities, could result in a variety of adverse consequences, including the acceleration of the Group's indebtedness, and could adversely affect the Group's ability to conduct the Group's business.

If the Group experience delays in collecting payment from distributors, it could adversely affect the Group's cash flow.

The Group generally grants its distributors credit terms between one month to three months, with longer credit terms granted to major customers. As of 31 December 2021, 2022, 2023 and as of 30 June 2024, the Group's trade and notes receivables were RMB1,765.1 million, RMB1,783.7 million, RMB2,354.9 million and RMB2,577.6 million respectively. If the Group's distributors' cash flow, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to the Group promptly or at all. Any substantial defaults or delays could materially and adversely affect the Group's cash flow, and the Group could be required to terminate the Group's relationships with distributors in a manner that impairs the effective distribution of the Group's pharmaceutical products.

If the Group becomes a party to litigation, legal disputes, claims or administrative proceedings, it may divert the Group's management's attention and result in costs and liabilities.

The Group may from time to time become a party to various litigation, legal disputes, claims or administrative proceedings arising in the ordinary course of the Group's business. For example, Luye Pharma Hong Kong was involved in an arbitration brought by the former distributor of Seroquel in Mainland China disputing the subsidiary's basis of terminating the distribution agreement with such distributor. In December 2021, the final amount of the arbitration award was determined to be approximately RMB253.2 million in favour of the former distributor of Seroquel and the Company has accordingly made a provision in its financial statements, details of which are set out in note 30 to the consolidated financial statements of the Group as at and for the year ended 31 December 2023. Luye Pharma Hong Kong Limited submitted the application for revoking the arbitral award to the Hong Kong High Court, and the decision was handed down that its application for setting aside the award was dismissed ("**Setting Aside Decision**"). Subsequently, Luye Pharma Hong Kong Limited has applied for and was granted leave to appeal against the Setting Aside Decision. On-going litigation, legal disputes, claims or administrative proceedings may distract the Group's management's attention and consume the Group's time and other resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to the various factors involved, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to the Group. Negative publicity arising from litigation, legal disputes, claims or administrative proceedings may damage the Group's reputation, adversely affect the image of the Group's brands and products and its relationships with suppliers, customers and other business partners. In addition, if any verdict or award is rendered against the Group, the Group could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's insurance coverage is limited; if the Group experience uninsured losses it could adversely affect the Group's financial condition and results of operations.

The Group's insurance coverage is limited and it does not maintain business interruption insurance. If the Group experiences disruptions to its business, the Group might incur substantial costs and diversion of resources, which may not be fully covered by insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, health or public security hazards, earthquakes, typhoons, flooding and other natural disasters for which the Group cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, the Group could suffer financial losses, lose all or a portion of the Group's production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If the Group experiences uninsured losses or losses in excess of its insurance coverage, it could adversely affect the Group's financial condition and results of operations.

The Group is subject to environmental regulations; if the Group fails to comply with such regulations or such regulations change, it may impair the Group's ability to conduct the Group's business and the Group may be exposed to liability and potential costs for environmental compliance.

The Group is subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substance during the Group's manufacturing processes, and may become subject to similar laws, rules and regulations in other jurisdictions in the future. In addition, the Group is required to obtain clearances and authorisations from government authorities for the treatment and disposal of such discharge. The costs the Group incurred for environmental protection may materially increase the Group's total costs and decrease the Group's profit. There can be no assurances that the Group will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of the Group's production facilities and obligations to take corrective measures.

Furthermore, the PRC government may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, the Group may need to incur substantial capital expenditures to install, replace, upgrade or supplement the Group's pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, the Group may be forced to curtail or cease certain of the Group's pharmaceutical manufacturing business. In addition, if the Group becomes subject to any significant environmental-related liabilities, it could adversely affect the Group's financial condition and results of operations.

Wuhu Luye, which is not a part of the Group, uses the Group's trademark under a licence from the Group. The Group is therefore exposed to the risk that Wuhu Luye's products and actions are attributed to the Group.

The Group's Executive Chairman and Chief Executive Officer and two of the Group's Executive Directors hold equity interests in Wuhu Luye. Wuhu Luye is primarily engaged in the production and sale of Chinese medicines covering a number of therapeutic areas including cardio-cerebral vascular, neurology, neuropsychiatry and hepatology.

The businesses of the Group and Wuhu Luye have been operated separately since their establishment in 1994 and 2001, respectively, and the Group believes there is clear delineation between the Group and Wuhu Luye. However, Wuhu Luye currently uses the Group's trademark and the Group has granted a licence to Wuhu Luye to use the Group's trademark for a period of three years starting from 24 March 2023. As a result of Wuhu Luye operating its business using the Group's trademark, the Group may be exposed to the risk that the products of Wuhu Luye, as well as the actions of Wuhu Luye, its employees and its agents, may be attributed to the Group's Group and expose the Group to liability or damage the Group's reputation and the Group's brand. Although Wuhu Luye has undertaken to indemnify the Group for any losses or damages the Group may suffer as a result of Wuhu Luye's use of the trademark, there can be no assurances that such indemnification will be adequate to protect the Group's Group against all losses the Group may suffer as a result of Wuhu Luye's use of the Group's trademark.

The Group has in the past and may in the future be unable to obtain the building ownership certificates and/or title certificates in respect of all of its facilities.

In China, prior to construction of a building, the Group is required to obtain various permits, certificates and other approvals, including land use right certificates (國有土地使用權證), planning permits for land

use (建設用地規劃許可證), planning permits for construction work (建設工程規劃許可證) and permits for commencement of construction work (建設工程施工許可證) in relation to the properties. After completion of a building, the local government authorities conduct an inspection and issue a completion certificate for the construction work (建設工程竣工驗收證明), if the construction process and property comply with the relevant laws, rules and regulations. The relevant government authorities issue building ownership certificates (房屋所有權證) after reviewing the completion certificates for construction work together with other required documents and receiving the required fees.

The Group has in the past been unable to obtain certain permits, certificates, and other approvals, including building ownership certificates and a land use right certificate for certain of its facilities. There is no assurance that the Group will in the future be able to obtain the building ownership certificates or title certificates in respect of all of its facilities in a timely manner or at all. In the absence of the building ownership certificate for a property the Group uses to operate its business, the relevant property is not permitted to be used as collateral for borrowings, nor can it be bought or sold. In addition, the Group may be ordered to demolish any building if it is unable to obtain the land use right certificate and building ownership certificate, which would require the Group to relocate the relevant the relevant facilities and could further subject the Group to a penalty. Any such consequences could adversely affect the Group's financial condition and results of operations.

If the Group suffers failures in the Group's information systems, it could adversely affect the Group's ability to effectively manage the Group's business operations.

The Group makes use of information systems to obtain, process, analyse and manage data. The Group uses these systems to, among other things, monitor the daily operations of the Group's business, maintain operating and financial data, manage the Group's distribution network and third party promoters as well as manage the Group's production operations and quality control systems. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt the Group's normal operations. There can be no assurances that the Group will be able to effectively handle a failure of the Group's information systems, or that the Group will be able to restore the Group's operational capacity in a timely manner to avoid disrupting the Group's business. The occurrence of any of these events could adversely affect the Group's ability to effectively manage the Group's business operations. In addition, if the capacity of the Group's information systems fails to meet the increasing needs of the Group's expanding operations, the Group's ability to expand may be constrained.

The Group's business may be affected by adverse news, scandals or other incidents that have a negative impact on the reputation and public perception of the PRC pharmaceutical industry.

Incidents that reflect doubt as to the quality or safety of pharmaceutical products manufactured, distributed or sold by other participants in the pharmaceutical industry, particularly the PRC pharmaceutical industry, including the Group's competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the pharmaceutical industry in general, even if such parties or incidents have no relation to the Group, the Group's suppliers, the Group's distributors or the Group's third-party promoters. Similarly, incidents not related to product quality or safety may also have a negative impact on the pharmaceutical industry. Any past or future negative news involving any pharmaceutical industry participant may adversely affect the Group's reputation.

Risks Relating to the PRC

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect the Group's business.

Since the Group's operating assets are generally located in, and the Group's revenue is predominantly derived from the Group's operations in China, the Group's results of operations, financial condition and

prospects are, to a significant degree, affected by the economic, political, legal developments and government policies in the PRC. Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises macro-level control over the economic growth of the PRC through allocating resources, regulating foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reforms emphasising the use of market forces to drive economic development. These reforms may be adjusted or modified or applied inconsistently among different industries, or across different regions of the PRC. As a result, some of these measures may benefit the overall PRC economy, but have a negative effect on the pharmaceutical industry.

The PRC has been one of the world's fastest growing economies as measured by gross domestic product. However, no assurance can be given that the PRC economy would continue to grow at such rate. The PRC economy has experienced a slowdown in growth in recent years. To stimulate the growth of the PRC economy, the PRC government has implemented various monetary and economic measures to expand investments in infrastructure, increase liquidity in the credit markets and create more employment opportunities. Although the PRC economy has been recovering, there is no assurance that such recovery would be sustainable. Any macroeconomic control measures or slowdown of the PRC or global economy may reduce the demands for the Group's products and the speed at which domestic or international capacity grows may slow down significantly, which would have an adverse impact on the Group's business, financial condition and results of operations.

Interpretation and enforcement of the laws and regulations in the PRC may involve uncertainties.

Since 1979, the PRC Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve a degree of uncertainties. The PRC legal system is also based, in part, on government policies and internal rules (some of which are not published on a timely basis). As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. Any consequent litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention.

The relatively new legal system and regulations and the uncertainty of the interpretation and effective enforcement of PRC law and regulations may cause significant uncertainties to the Group's operations.

Substantially all of the Group's business and operations are conducted in China and governed by the PRC laws, rules and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. However, the PRC has not developed a fully integrated legal system and has recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC.

Adverse changes in political, social and economic policies of the PRC Government could have a material and adverse effect on the overall economic growth of the PRC, which could in turn affect the Group's business and prospects.

The PRC economy differs from the economies of most developed countries in many respects, including government involvement, level of development, economic growth rate, control of foreign exchange, and

allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that economic reforms would not have any adverse effect on the Group's business.

The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). The Group's operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. In addition, the growth of the Group's business operations depend on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business prospects may be adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease in the PRC, could materially and adversely affect the Group's business and results of operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC, could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. Over the past few decades, the PRC has suffered health epidemics related to the outbreak of avian influenza, H1N1 virus, severe acute respiratory syndrome ("**SARS**") and COVID-19. Any prolonged recurrence of avian influenza, SARS, COVID-19 or other adverse public health developments in the PRC could materially and adversely affect domestic transportation, consumption, labour supply and, possibly, the overall gross domestic product growth of the PRC. The Group's revenue is currently mostly derived from the PRC, and any labour shortages or slowdown in the growth of domestic transportation or consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations of the Group and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's manufacturing facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's students and teachers, which could materially and adversely affect the Group's business, financial condition, and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

Substantially all of the Group's assets are situated in China and most of the Group's Directors and senior management members reside in and substantially all of their respective assets are located in China. As a result, it may be difficult to effect service of process outside the PRC upon most of the Group's Directors and officers, including in respect of matters arising under applicable securities laws. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and most other countries. Consequently, it may be difficult for you to enforce against the Group or the Group's Directors or officers in China any judgments obtained from non-PRC courts.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

The PRC Government's control over foreign currency conversion may limit the Group's foreign exchange transactions.

Currently, RMB still cannot be completely and freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group would have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities including MOFCOM.

The Group is exposed to foreign exchange risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. Any insufficiency of foreign exchange may restrict the Group's ability to obtain sufficient foreign exchange to satisfy any other foreign currency requirements, including those attributable to bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign exchange risk by minimising its net foreign currency position. However, if the Group fails to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, its capital expenditure plans, and even the business, financial repayment, operating results and financial condition of the Group, may be materially and adversely affected.

The Group's labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law (《中華人民共和國勞動合同法》) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in

relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee in certain circumstances including when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employee (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. According to the National Leisure and Tourism Outline 2013–2020 (《國民旅遊休閒綱要 2013–2020》) which became effective on 2 February 2013, the workers paid vacation system shall be substantially implemented by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013–2020, the Group' s labour costs may increase. In addition, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the operating costs of the Group may also increase. This may in turn affect the selling prices of the Group's services, which may then affect the demand of such services and thereby adversely affect the Group's sales and financial condition. In addition, inflation in the PRC increases the costs of labour. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

The Group relies on dividends paid by the Group's subsidiaries for a portion of the Group's cash flow, and limitations under the PRC laws on the ability of the Group's PRC subsidiaries to distribute dividends to the Group could adversely affect the Group's ability to utilise such funds.

As a holding company, the Group conducts substantially all of its business through the Group's consolidated subsidiaries incorporated in China. The Group relies on dividends paid by these PRC subsidiaries for a portion of the Group's cash flow, including for the funds necessary to perform its payment obligations under the Bonds, to service any foreign currency debt the Group may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of the Group's PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting

standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, the Group's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Group in the form of dividends, loans or advances. The Group anticipates that in the foreseeable future the Group's PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, certain loan agreements signed by the Group's PRC subsidiaries may contain covenants that restrict their ability to pay out dividends. These limitations on the ability of the Group's PRC subsidiaries to transfer funds to the Group limit the Group's ability to receive and utilise such funds.

The Issuer may be treated as a PRC tax resident enterprise under the EIT Law, which may subject the Issuer to PRC income taxes on the Issuer's worldwide income, require the Issuer to withhold tax on interest it pays on the Bonds and dividends it pays on the Shares and require holders of the Bonds and Shares to pay tax on gains realised from the sale of the Bonds and Shares.

The Issuer is a holding company incorporated under the laws of Bermuda. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), which came into effect 1 January 2008 ((as amended, the "**EIT Law**"), and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC tax resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income, unless tax reduction and exemption incentives are applicable. Under the implementation rules to the EIT Law, the term "de facto management body" is defined as a "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise". The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得税管理辦法(試行)) issued in April 2009 and July 2011 set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the PRC State Administration of Taxation in respect of enterprises established offshore by private individuals or foreign enterprises like the Issuer.

As a result, it is unclear whether the Issuer will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though substantially all of the operational management of the Group is currently based in the PRC. The Issuer is currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, there can be no assurances that the Issuer will not be treated as a PRC resident enterprise under the EIT Law and not be subject to the enterprise income tax rate of 25% on the Issuer's global income in the future. If the Issuer were treated as "PRC tax resident enterprise", the Issuer would be subject to PRC income taxes on the Group's worldwide income, which may adversely affect the Group's profitability. Furthermore, the Issuer may be obliged to withhold PRC income tax at the rate of 10% on payments of interest and other amounts on the Bonds and dividends on the Shares to investors that are non-resident enterprises (or at the rate of 20% for non-resident individual holders of the Bonds) or Shares or lower rates for holders who qualify for the benefits of a double-taxation treaty with China, because the interest, dividends and other distributions may be regarded as being derived from sources within China. If the Issuer is required to withhold PRC tax from interest payments on the Bonds, the Issuer may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as they would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have an adverse effect on the Group's financial condition. Any gain realised by non-PRC investors from the transfer of the Bonds or Shares may be regarded as being derived from sources within China and accordingly may be subject to a 10% PRC income tax for non-PRC enterprise holders of the Bonds (or 20% in the case of non-resident individuals) if the Issuer is treated as a PRC resident enterprise, subject to the provisions of an applicable treaty.

Risks Relating to the Bonds and the Shares

The Bonds are unsecured obligations

The Bonds constitute direct, unconditional, unsubordinated and (subject to "*Terms and Conditions of the Bonds — Covenants — Negative Pledge*") unsecured obligations of the Issuer ranking *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to "*Terms and Conditions of the Bonds — Covenants — Negative Pledge*" rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The repayment of the Bonds may be compromised if:

- the Group enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under the Group's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Group's indebtedness.

If any of the above events occurs, the Group's assets may not be sufficient to pay amounts due on the Bonds.

The permit, filing or other requirements of the CSRC or other PRC government authorities in relation to the Company's proposed issuance of the Bonds or further capital raise activities may be required under PRC laws.

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, indirect overseas offering and listing of domestic companies refers to securities offerings and listings in an overseas market made under the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a company in mainland China that operates its main business in mainland China. The Overseas Listing Trial Measures states that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. In connection with the Overseas Listing Trial Measures, on 17 February 2023 the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (關於境內企業境外發行上市備案管理安排的通知) (the "**Notice on Overseas Listing Measures**"). According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by 31 March 2023, the date the Overseas Listing Measures became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the Overseas Listing Trial Measures when it subsequently seeks to conduct a follow-on offering. The Group has been advised that the Company is required to go through filing procedures with the CSRC after the completion of this offering of the Bonds and for its future offerings and listing of its securities in an overseas market under the Overseas Listing Trial Measures for this offering. Pursuant to the Terms and Conditions, the Issuer will undertake to file or cause to be filed with the CSRC within the relevant prescribed period after the Issue Date the CSRC Filing Report (as defined in the Terms and Conditions) and to comply with the continuing obligations under the CSRC Filing Rules (as defined in the Terms and Conditions) and any implementation rules as issued by the CSRC from time to time. The Overseas Listing Trial Measures provide that, an overseas offering and listing, including the follow-on offering of convertible bonds, is prohibited under any of the

following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the "**Forbidden Circumstances**"). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

However, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect the Group's operations and the Group's future financing. The Group cannot assure you that the Company could meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. In addition, the Group cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on the Group. If it is determined that the Group is subject to any approval, filing, other governmental authorisation or requirements from the CSRC or other PRC government authorities, the Group may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject the Group to fines, penalties or other sanctions which may have a material adverse effect on the Group's business and financial condition as well as the Company's ability to complete the issuance of the Bonds.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including, without limitation, being requested or directed by the Bondholders pursuant to Conditions 10 (*Events of Default*) and 15 (*Enforcement*) of the Terms and Conditions), the Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if it is not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding could be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and/or the Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable law or regulations, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such actions directly.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, Bondholders would have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders would be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States.

The Bonds and the Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless

and until they are registered, the Bonds and the Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S under the Securities Act. Hence, future resales of the Bonds and the Shares into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

The Bondholders may be subject to tax on their income or gain from the Bonds.

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Shares. See "*Taxation*" for certain Bermuda, PRC and Hong Kong tax consequences.

The market value of the Bonds may fluctuate.

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganisations, takeovers or share buybacks) of the Group and/or the subsidiaries and/or associated companies of the Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, the Group and/or the subsidiaries and/or associated companies of the Group generally. Adverse economic developments in the PRC could have a material and adverse effect on the results of operations and/or the financial condition of the Group and/ or the subsidiaries and/or associated companies of the Group.

In addition, the market price of the Bonds at any time will be affected by fluctuations in the market price of the Shares. The Shares are currently primary listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of Shares by shareholders or a perception in the market that such disposals could occur, may adversely affect the prevailing market price of the Shares and the Bonds. The market price of the Shares will also be influenced by the Group's operational results (which in turn are subject to the various risks to which the Group's businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Group operates and the capital markets in general. Corporate events such as reorganisations, takeovers or share buy-backs may also adversely affect the market price of the Shares. Any decline in the market price of the Shares could adversely affect the market price of the Bonds.

In addition, investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

The return on the Bonds may decrease due to inflation.

Bondholders may suffer erosion on the return of their investments due to inflation. Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

An active trading market for the Bonds may not develop.

The Bonds will be a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given that an active trading market for the Bonds would develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds would trade at lower prices depends on many factors, including, but not limited to:

- prevailing interest rates and the markets for similar securities;
- the price of the Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition; and general market and economic conditions; or
- the Group's financial condition and historical financial performance and future prospects.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Information Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless he/she has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds will contain provisions regarding modification and waivers, which could affect the rights of Bondholders.

The Terms and Conditions will contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interest of individual holders of the Bonds.

The Terms and Conditions will also provide that the Trustee may, without the consent of the holders of the Bonds, agree to (i) any modification (other than in respect of certain reserved matters) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement and/or the Trust Deed which in the opinion of the Trustee would not be materially prejudicial to the interests of the holders of the Bonds and to (ii) any modification of the Bonds, the Agency Agreement or the Trust Deed which is in the Trustee's opinion of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (both terms as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

If the Company or any of its subsidiaries is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.

If the Company or any of its subsidiaries is unable to comply with the restrictions and covenants or its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Company's or such subsidiary's other debt agreements. If any of these events occur, there is no assurance that the Company would have sufficient assets and cash flow to repay in full all of its indebtedness, or that the Company would be able to find alternative financing. Even if the Company could obtain alternative financing, it could not guarantee that it would be on terms that are favourable or acceptable to the Company.

The Company may be unable to obtain and remit foreign currencies out of China.

The Company's ability to satisfy its obligations under the Bonds will be affected by its ability to obtain and remit sufficient foreign currency. The Company must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for registration before it can obtain and remit foreign currencies out of China, including, in the case of dividends, the resolution of the board of directors and evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. If the Company for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, it may affect the Company's ability to satisfy its obligations under the Bonds without any delay.

Exchange rate risks and exchange controls may affect an investor's returns on the Bonds.

The Group will pay principal on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.

As the Company is established under the laws of Bermuda, an insolvency proceeding relating to the Company, even if brought in other jurisdictions, would likely involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions.

Bondholders have limited anti-dilution protection.

The conversion price of the Bonds will be adjusted only in the situations and only to the extent provided in "*Terms and Conditions of the Bonds — Conversion*". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders. Any sales in the public market of the Shares issuable upon such conversion could affect prevailing market prices for the Shares.

The Company may not have the ability to redeem the Bonds.

Bondholders may require the Company, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon a Relevant Event as described under "*Terms and*

Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Delisting or Change of Control". The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Company's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by the Company.

The Bonds may be early redeemed at the Company's option.

The Company may redeem all and not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice at their principal amount, together with interest accrued but unpaid up to but excluding the date of redemption (if any) if the Company becomes obliged to pay Additional Tax Amounts as a result of certain events set out in the Terms and Conditions and such obligation cannot be avoided by the Company taking reasonable measures available to it. As a result, the trading price of the Bonds may be affected when the redemption options of the Company become exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

Short selling of the Shares by Bondholders could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of the Company's equity securities after this offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt-to-equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**" and together the "**Clearing Systems**"). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for the Clearing Systems, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

USE OF PROCEEDS

The net proceeds from the Bonds (after deduction of commissions and other related expenses) are estimated to be approximately U.S.$98.6 million. The Group intends to apply the net proceeds from the issue of the Bonds for refinancing existing indebtedness and research and development of products and general corporate purposes.

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange (Code: 2186) since 9 July 2014. Prior to that time, the Company's Shares were listed on the main board of the Singapore Exchange Securities Trading Limited, or SGX-ST between the period from 5 May 2004 to 29 November 2012.

The table below sets forth, for the periods indicated, the high and low closing prices per Share, as reported on the Hong Kong Stock Exchange:

Period	Closing Share Price		Average daily trading volume
	High	Low	
	(HK$)		(number of Shares in millions)
2021			
First quarter ended 31 March 2021	6.50	3.58	43.3
Second quarter ended 30 June 2021	5.65	4.52	19.2
Third quarter ended 30 September 2021	5.21	3.82	12.0
Fourth quarter ended 31 December 2021	4.10	3.39	5.6
2022			
First quarter ended 31 March 2022	3.79	2.56	6.7
Second quarter ended 30 June 2022	2.93	2.29	5.7
Third quarter ended 30 September 2022	2.64	2.15	5.5
Fourth quarter ended 31 December 2022	3.83	1.91	16.7
2023			
First quarter ended 31 March 2023	4.39	3.37	24.2
Second quarter ended 30 June 2023	4.00	3.31	21.9
Third quarter ended 30 September 2023	3.65	2.80	16.8
Fourth quarter ended 31 December 2023	3.98	3.36	6.5
2024			
First quarter ended 31 March 2024	3.73	2.47	10.1
Second quarter ended 30 June 2024	3.05	2.60	11.9

CAPITALISATION AND INDEBTEDNESS

As at the date of the Information Memorandum, the authorised share capital of the Company is U.S.$200,000,000 divided into 10,000,000,000 shares of U.S.$0.02 each. As at 30 June 2024, the total number of Shares issued by the Company was 3,761,670,643 shares.

The following table sets forth the Company's consolidated capitalisation and indebtedness as at 30 June 2024 and as adjusted to give effect to the issue of the Bonds before deduction of any fees, commissions and expenses. The table should be read in conjunction with the financial statements and the accompanying notes incorporated by reference in this Information Memorandum.

	As at 30 June 2024			
	Actual	**Actual**	**Adjusted**	**Adjusted**
	(in RMB thousands)	**(in USD thousands)**	**(in RMB thousands)**	**(in USD thousands)**
Total borrowings				
Current liabilities				
Interest-bearing bank and other borrowings	6,669,023	917,688	6,669,023	917,688
Non-current liabilities				
Convertible bonds	974,094	134,039	974,094	134,039
Interest-bearing bank and other borrowings	1,810,175	249,088	1,810,175	249,088
Bonds to be issued[(1)]	–	–	726,720[(2)]	100,000
Equity				
Issued capital[(2)]	486,107	75,233	486,107	75,233
Total capitalisation[(2)]	9,939,399	1,376,048	10,666,119	1,476,048

Notes:

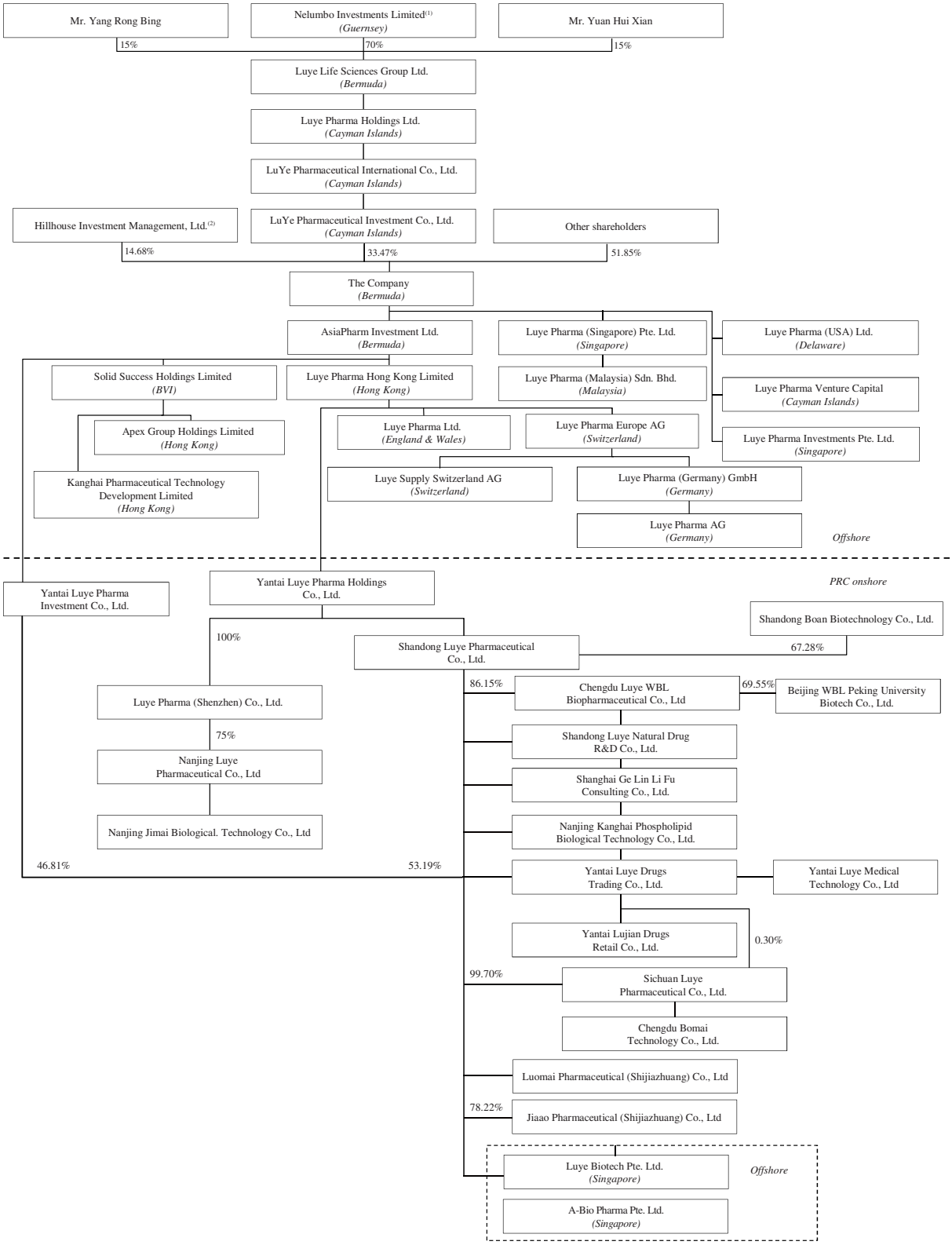
(1) For illustrative purposes only, the aggregate principal amount of the Bonds to be issued has been presented as a liability in the above table.

(2) Translation of currency amounts between Renminbi and U.S.$ have been made at the rate of RMB7.2672 to U.S.$1.00, the noon buying rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York on 28 June 2024, except for issued capital where historical exchange rates were used pursuant to the relevant accounting policies.

Other than as disclosed in this Information Memorandum, there has been no material adverse change in the capitalisation of the Company since 30 June 2024.

CORPORATE STRUCTURE

The following chart depicts the shareholding structure of the Company and its principal subsidiaries as of the date of this Information Memorandum (unless otherwise specified, each subsidiary is 100% owned by its holding company):



Notes:

1 Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.

2 Hillhouse Investment Management, Ltd. holds its interest in the Shares through Hillhouse Fund V, L.P. and Hillhouse NEV Holdings Limited. Hillhouse NEV Holdings Limited is wholly-owned by Hillhouse Fund V, L.P. and Hillhouse Investment Management, Ltd. is the sole investment manager of Hillhouse NEV Holdings Limited.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group's history began with the establishment of Shandong Luye Pharmaceutical Co., Ltd. ("**Shandong Luye**"), formerly known as Yantai Luye Pharmaceutical Co., Ltd. ("**Yantai Luye**"), by Yantai Bio-technology Co., Ltd. ("**Yantai Bio-tech**") and Shengli Petroleum Administrative Bureau Yantai Sanatorium ("**Shengli**") on 8 June 1994 to engage in the manufacture and sale of pharmaceutical products as well as active pharmaceutical ingredients. Yantai Bio-tech, which owned 62.5% of the equity interest in Yantai Luye, was a holding company established by the founding shareholders, Messrs. Liu Dian Bo, Yang Rong Bing and Yuan Hui Xian. The remaining 37.5% of the equity interest in Yantai Luye was owned by Shengli.

The business continued to expand and required further capital to fund the Group's operations and expansion plan, the Group sought a listing on the main board of the Singapore Exchange Securities Trading Limited, or SGX-ST, in 2004 with the aim of gaining access to capital markets and raising the Group's corporate profile. To prepare for the listing on the SGX-ST, the Group carried out a corporate reorganisation and as part of such reorganisation, the Company was incorporated in Bermuda on 2 July 2003 to act as the holding company of the Group. In 2012, LuYe Pharmaceutical Investment Group Co., Ltd ("**LuYe Pharma Investment**") made a privatisation offer, and as a result of which the Company became a wholly-owned subsidiary of LuYe Pharma Investment. The Shares were delisted from the SGX-ST on 29 November 2012.

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fastest growing therapeutic areas in the PRC, the United States, Europe and other emerging countries or regions, namely oncology, central nervous system ("**CNS**"), cardiovascular system, alimentary tract and metabolism. The Group's product portfolio consists of 30 products and centres around 16 key products which are competitively positioned globally for highly prevalent medical conditions.

In China, the Group's key products are competitively positioned in four key therapeutic areas and have gained top-ranking market shares measured by revenue. According to IQVIA, oncology-related pharmaceutical products constituted the largest market in China for pharmaceutical products in the year of 2023. The Group's portfolio of oncology products includes Lipusu, Boyounuo, Baituowei, CMNa and Mimeixin. As far as the Company is aware, Lipusu is the first and only paclitaxel liposome product approved for sale globally as of 30 June 2024. CMNa is a Class I New Chemical Drug and as far as the Company is aware, the only NMPA approved sensitiser for cancer radiotherapy in China. Boyounuo is an anti-vascular endothelial growth factor ("**anti-VEGF**") humanised monoclonal antibody injection and a biosimilar to Avastin independently developed by the Company's subsidiary, namely, ("**Boan Biotech**"). IQVIA data showed that cardiovascular system-related pharmaceutical products constituted the fifth largest market for pharmaceutical products in the PRC in the year of 2023. The Group's key cardiovascular system products include Xuezhikang, Oukai and Maitongna. According to IQVIA, Xuezhikang was the most popular natural medicine for the treatment of hypercholesterolaemia in the year of 2023. Maitongna and Oukai were ranked as the third and fifth most-used vasoprotective pharmaceutical product domestically manufactured in China in the year of 2023. Metabolism related pharmaceutical products constituted the third largest pharmaceutical market in China in the year of 2023, according to IQVIA. IQVIA data showed that CNS-related pharmaceutical products constituted the fourth largest market for pharmaceutical products in the PRC in the year of 2023. The Group's portfolio of CNS products includes Seroquel, Rykindo and Ruoxinlin. Ruoxinlin was the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of Major Depressive Disorder ("**MDD**") developed by a local company in China.

For international markets, the Group's products are mainly positioned in CNS therapeutic area, including Seroquel, Seroquel XR, Rykindo, Rivastigmine once-daily transdermal patch, Rivastigmine Multi-Day Transdermal Patch ("**Rivastigmine MD**" or "**LY30410**"), Fentanyl patches and Buprenorphine patches.

For the year ended 31 December 2023, the Group's revenue from oncology products and alimentary tract and metabolism products decreased by 8.0% to RMB2,122.4 million and 28.8% to RMB450.4 million. Revenue from sales of cardiovascular system products and CNS products increased by 9.9% to RMB1,687.4 million and 28.1% to RMB1,694.6 million. For the six months ended 30 June 2024, revenue from oncology products and CNS products increased by 25.3% to RMB1,140.9 million and 20.9% to RMB822.7 million. Revenue from cardiovascular system products and alimentary tract and metabolism products decreased by 21.9% to RMB763.3 million and 20.8% to RMB195.7 million. The significant increase of revenue from sales of oncology products and CNS products was primarily attributable to the higher in sales of product know-how, increase in sale of some key products of the Group and increase in sales of CNS products, while decrease of revenue in sales of cardiovascular system products and alimentary tract and metabolism products is primarily attributable to the decrease in sales of a few cardiovascular system products of the Group and decrease in sales of the key alimentary tract and metabolism products of the Group.

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 30 June 2024. The Group generates demand for its pharmaceutical products from hospitals and other medical institutions through its sales and marketing activities, including academic promotion, and generates revenue by selling the Group's pharmaceutical products to distributors who, in turn, sell the Group's products to hospitals and other medical institutions. The Group develops its marketing and promotion strategies centrally in order to maximise the Group's brand recognition and optimise its product positioning in the PRC market. The Group implements its strategies primarily through its internal sales teams that are aligned to the Group's key therapeutic areas. The Group also utilises independent third party promoters where it believes such third party promoters could leverage their relationships to expand the Group's hospital coverage efficiently. The Group believes that its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel and a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals, which comprised approximately 2,200 or approximately 88.0% of all Class III hospitals, approximately 5,750 or approximately 66.0% of all Class II hospitals and approximately 13,500 or approximately 63.0% of all Class I and other hospitals and medical institutions, in the PRC as of 30 June 2024.

Outside of the PRC, the Group has commercial offices in the U.S., Switzerland, Germany, Japan, Hong Kong, Singapore and Malaysia. The Group has strong sales partnerships with more than 50 partners throughout the world, covering 80 countries or regions including the U.S., countries in the European Union (the "**EU**"), Japan, Association of Southeast Asian Nations ("**ASEAN**"), Latin America, Gulf Cooperation Council ("**GCC**") region and other emerging countries or regions.

The Group believes its ability to develop innovative pharmaceutical products through its research and development capabilities will be the driving force behind the Group's long-term competitiveness, as well as its future growth and development. The Group's R&D activities are organised around four platforms in the chemical drug sector — long-acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to the biological sector supported by the four cutting-edge platforms of Boan Biotech, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, Antibody-drug Conjugate ("**ADC**") Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics.

As of 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 Master's degree holders in medical, pharmaceutical and other related areas. As of 30

June 2024, the Group had been granted over 272 patents and had over 66 pending patent applications in the PRC, and had been granted 552 patents and 123 pending patent applications overseas.

As of 30 June 2024, the Group had a pipeline of 27 PRC product candidates in various stages of development. These candidates included 18 oncology products, 5 CNS products, as well as 4 other products. As of 30 June 2024, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue was RMB5,200.2 million, RMB5,981.7 million, RMB6,143.1 million and RMB3,074.6 million, respectively. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Group's recorded a net loss of RMB144.8 million, a net profit of RMB583.3 million, a net profit of RMB539.1 million and a net profit of RMB438.2 million, respectively. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's gross profit margin was 65.3%, 69.2%, 68.4% and 67.6%, respectively.

The Group has conducted in the past few years a number of acquisitions and collaborations which are in line with the Group's strategies. For a more detailed discussion of the Group's recent acquisitions and collaborations, see "— *Merger and Acquisition and Collaborations*".

BUSINESS MILESTONES

The following sets forth the major milestones in the Group's corporate development history:

1994 . . . . . • Shandong Luye, formerly known as Yantai Luye Pharmaceutical Co., Ltd., which is one of the Group's major operating subsidiaries in China, was founded.

1995 . . . . . • In May 1995, the Group commenced production of Maitongna, a formulation of sodium aescinate in injectable form and one of the Group's current key products.

2001 . . . . . • The Group acquired the proprietary rights to manufacture and sell Lutingnuo, which is the brand of reduced glutathione in injectable form and one of the Group's current key products.

2006 . . . . . • The Group acquired the proprietary cancer treatment injection CMNa and its distribution network.

2007 . . . . . • The Group acquired a 100% equity interest in the holding company of Nanjing Sike Pharmaceutical Co., Ltd. (now Nanjing Luye Sike), which focuses on oncology products and its key products, Lipusu and Tiandixin, have become two of the Group's current key products. This acquisition together with the acquisition of CMNa helped establish the Group's market position in oncology and provided the platform for its oncology-related R&D efforts, as well as the facilities for its oncology-related pharmaceutical product production.

• The Group acquired a 43.0% equity interest in Beijing WBL Peking University Biotech Co., Ltd. ("**Beijing WPU**"), which focuses on cardiovascular system products. Its key product, Xuezhikang, has become one of the Group's current key products.

2011	•	The Group acquired a 100% equity interest in Sichuan Baoguang Pharmaceutical Co., Ltd. (now Sichuan Luye), which focuses on diabetes products and its key product, Bei Xi, has become one of the Group's key products. The Group entered into the field of diabetes and strengthened its position in alimentary tract and metabolism.
2013	•	Shandong Luye Microsphere Formulation Workshop passed EU GMP inspections.
	•	Shandong Luye obtained CNAS certification.
	•	Multiple microsphere formulations made periodic progresses.
2014	•	The Company was listed on the main board of the Hong Kong Stock Exchange.
2015	•	LY03004 became the first Chinese innovative formulation to conduct all clinical trials in the US.
2016	•	The Group acquired Acino's transdermal drug delivery systems business.
2017	•	The Group invested in Exicure for the development of novel nucleic acid therapeutics.
2018	•	The Group acquired AstraZeneca's Seroquel® and Seroquel XR® in 51 countries and regions, accelerating the creation of a global commercial network.
2019	•	The Group granted exclusive rights to promote Xuezhikang Capsules in mainland China to AstraZeneca.
	•	The Group and Pharma Mar S.A. entered into a licence development and commercialisation agreement with respect to new innovative anticancer drug Lurbinectedin.
2020	•	The Group acquired Boan Biotech, accelerating development in the field of biopharmaceuticals.
	•	The once-daily Rivastigmine Transdermal Patch received market approval in China, to help improve safe treatment for patients with Alzheimer's disease.
2021	•	Rykindo® (Risperidone Microspheres for Injection (II)) received marketing approval in China. It was the first innovative microsphere formulation independently developed in China for treatment of schizophrenia.
	•	Bevacizumab injection (Boyounuo) received marketing authorisation in China, which was the first antibody drug developed by Boan Biotech which received marketing approval.
	•	Rivastigmine MD received marketing approval in several European countries and the United Kingdom, optimising the treatment regimen for Alzheimer's disease with an upgraded formulation.

2022 . . . . . • Ruoxinlin® (Toludesvenlafaxine Hydrochloride Extended-release Tablets), China's first class 1 innovative chemical drug for the treatment of major depressive disorder, received marketing approval in China.

• Boyoubei® received marketing approval in China for the treatment of osteoporosis, making it the world's first denosumab biosimilar approved for marketing.

• Boan Biotech was listed on the main board of the Hong Kong Stock Exchange.

2023 . . . . . • Rykindo® (risperidone) for extended-release injectable suspension received marketing approval in the U.S., making it the first FDA approved complex dosage form product developed by a pharmaceutical company in mainland China in accordance with 505(b)(2) of the Federal Food, Drug and Cosmetic Act.

• The Laboratory of Long-acting and Targeting Drug Delivery System was restructured and renamed as Laboratory of Advanced Drug Delivery and Release Systems.

2024 . . . . . • Rykindo® (Risperidone Extended-release Microsphere Injection) was the first new drug in the CNS field independently developed by a Chinese pharmaceutical company and received marketing approval in the U.S. for the treatment of schizophrenia and bipolar I disorder.

• Baituowei (Goserelin Microspheres for Injection) was the world's first and only formulation of goserelin long-acting microspheres approved for launch for the treatment of prostate cancer and breast cancer.

AWARDS

The following sets forth some of the awards and other recognitions that the Group achieved throughout the Group's history of development:

1998 . . . . . • In 1998, the Group was awarded the "Outstanding Private Science and Technology Enterprises in Shandong Province" (山東省優秀民營科技企業) by the Shandong Province Science and Technology Committee in recognition of its modernised enterprise management system and its focus on R&D with highly advanced technology products.

1999 . . . . . • As a testimony to the research capabilities of the Group, the State Personnel Ministry approved the establishment of Shandong Luye as a "Post-doctorate Scientific Research Work-station" (企業博士後科學研究工作站).

2000 . . . . . • The Group was awarded "High-Advanced Technology Enterprise" (高新技術企業) by the Shandong Provincial Bureau for Science and Technology. The Group's R&D centre was recognised by the Shandong Science and Technology Committee as a "Shandong Natural Drug Engineering Research and Development Centre" (山東省天然藥物工程技術研究中心).

2001 . . . . . • The Group was awarded as the "Base for the Commercialisation of the Result of the National High-Technology Research and Development Planning" (國家高新技術研究發展企劃成果產業基地) by the Ministry of Science and Technology.

• The Group low toxicity for anti-inflammatory and anti-exudation pharmaceutical composition of sodium aescinate for injection was named a "First Grade Shandong Science and Technology Advancement Product" (山東省科技進步一等獎產品) by the Shandong Provincial Drug Administration.

2003 . . . . . • The Shandong Province Economic and Trade Commission awarded the Group with the "Shandong Province Certified Enterprise Technology Centre" (山東省認定企業技術中心) in recognition of its technological creativity, system creativity and R&D results.

2007 . . . . . • The Group was awarded the "National Certified Enterprise Technology Centre" (國家認定企業技術中心) by the NDRC, the Ministry of Science and Technology, the MOF, the State Administration of Taxation and the General Administration of Customs.

2008 . . . . . • The Group was awarded the "Jiangsu Engineering Research Centre for Liposome Drug" (江蘇省脂質體藥物工程技術研究中心) by the Jiangsu Department of Science and Technology and Jiangsu Department of Finance.

2009 . . . . . • The Group's oral drug formulation and topical drug formulation production facilities were awarded the "Certificate of Manufacturing Facility" by the Australian Therapeutic Goods Administration.

• The Group was awarded the "Base for International Science and Technology Cooperation" (國際科技合作基地) by the Ministry of Science and Technology.

2010 . . . . . • The Group won the awards of "State Key Laboratory of Long-acting and Targeting Drug Delivery System" (長效和靶向製劑國家重點實驗室) approved by the Ministry of Science and Technology.

• "Luye" was recognised as a "Well-Known Trademark in China" (中國馳名商標).

• The Group was awarded "State-Focused High-Advanced Technology Enterprise" (國家重點高新技術企業) under the State Torch Programme (國家火炬計劃) by the PRC Ministry of Science and Technology.

2011 . . . . . • The Group's formulation production site in Shandong and R&D centre obtained the ISO9001:2008 certificate issued by SGS United Kingdom Ltd.

• The Group was awarded the "State Intellectual Property Exemplary Company" (全國企事業知識產權示範單位) by the State Intellectual Property Office.

• The Group was awarded "2011 Best Place to Work at" (2011年中國最適宜工作的公司) by Fortune China.

2012 . . . . . • The Group's product Lipusu won "The First Prize of Science & Technology" (科學技術獎一等獎) from the Chinese Pharmaceutical Association (中國藥學會). This was the first time in history that this award was granted to a research project led by a corporate entity. Prior to that, the awards had only been given to research projects led by academic or research institutes.

• The Group was nominated as one of the top 10 "Chinese Most Innovative Pharmaceutical Enterprises" (中國最具創新力製藥企業) by the Southern Institute of Medical Economics (南方醫藥經濟研究所) and Medicine Economic News (《醫藥經濟報》).

2013 . . . . . • The Group was named as one of the "Top 20 Powerful Brand Names for Chinese Pharmaceutical Enterprises" (中國最具品牌力藥企20強) by the Southern Medicine Economic Institute (南方醫藥經濟研究所) and the Medicine Economic News (《醫藥經濟報》).

• The Group was named as one of the "Top 20 Innovative Chinese Pharmaceutical Enterprises" (中國醫藥企業創新力二十強) by the China State Institute of Pharmaceutical Industry (中國醫藥工業研究總院), the China National Pharmaceutical Industry Information Centre (中國醫藥工業信息中心) and the China Medical Newspaper (《中國醫藥報》).

• The Group was ranked as the top 30 of the 100 "Chemical Pharmaceutical Enterprises in terms of Comprehensive Capability".

• The Group was ranked 2nd on the "Anti-tumour and Immunomodulator Excellent Brand List".

2015 . . . . . • Mr. Liu Dian Bo, Chairman and Chief Executive Director of the Company, honourably won the award of "Entrepreneur of the Year for Pharmaceutical and Life Sciences Category" (醫藥及生命科學業企業家獎) at the "Ernst & Young Entrepreneur of the Year 2015 China Awards" (2015安永中國企業家獎).

2018 . . . . . • The Group won the "2017 China Human Resources Practice & Innovation Gold Award" initiated by Global Human Resources Think Tank.

2019 . . . . . • The Group won the Prize of Excellence in Contribution (卓越貢獻企業獎) from the China Chamber of Commerce for Import and Export of Medicine and Health Products.

• The Group won the Award of 2019 Enterprise Social Responsibility Model (2019企業社會責任典範獎) in the 8th China Finance Summit (第八屆中國財經峰會) with the theme of Big Era: Great Changes and New Power (新時代：大變局與新動力).

• The Group was successfully selected as one of the Top APAC Pharmaceutical Innovator (亞太地區最具創新力製藥企業) at the New Era Creates the Future — Professional Information Empowers Chinese Pharmaceutical Enterprises to Innovate and Internationalize and Clarivate Analytics PharmaVision China 2019 (新時代創未來—專業信息賦能中國藥企創新和國際化暨科睿唯安第六屆中國製藥行業大會).

- The Group won the Best Corporate Governance Award (最佳企業管治獎) at the 2019 China Enterprise Elite Award Ceremony (2019中國企業精英頒獎禮).

- The Group won three major industry awards including Magnificent 70 Years, Striving for A New Era — Excellent Pharmaceutical Enterprise of the 70th Anniversary of Founding of the PRC (「壯麗70年，奮鬥新時代」新中國成立70週年醫藥產業驕子企業), 2019 Top 20 Competitive Listed Companies in China Pharmaceutical Industry (2019中國醫藥上市公司競爭力20強) and 2019 Top 100 Chinese Pharmaceutical Innovative Enterprises (2019中國醫藥創新企業100強) at the 2019 China Healthcare Summit of Entrepreneurs, Scientists and Investors & Pharmaceutical Achievements Fair of the 70th Anniversary of Founding of the PRC (2019中國醫藥企業家科學家投資家大會暨新中國成立70週年醫藥產業發展成就展).

- The anti-tumour product Lipusu® of the Group won the honour of the Landmark Achievement of Chinese Pharmaceutical Science and Technology (中國醫藥科技標誌性成果) and the other two core products of the Group, Xuezhikang® Capsules and Bei Xi® were named in the 2019 Chinese Medicine • Brand List (中國醫藥•品牌榜) at the National Pharmaceutical Economic Information Conference and the Annual Meeting of MENET — China Social Pharmacy Alliance (全國醫藥經濟信息發佈會暨米房會年會).

2020 . . . . . .

- The Group was awarded the "Best Strategic Investment Institution of the Year" (年度最佳戰略投資機構) in the "4th Healthcare Investment Excellent List".

- The Group was awarded "Best Industry Enterprise in China by Pharmaceutical R&D Product Line" (中國醫藥研發產品線最佳工業企業) the "China Pharmaceutical Industry Information Annual Conference and the Announcement of Top 100 of China Pharmaceutical Industry 2019" (中國醫藥工業信息年會暨2019年度中國醫藥工業百強榜單發佈會) hosted by China National Pharmaceutical Industry Information Centre.

- The Group was awarded "Pharmaceutical Enterprise Social Responsibility Award 2020" (2020醫藥企業社會責任獎) at the "Smart Regulatory Innovation Conference 2020" (2020智慧監管創新大會) directed by National Medical Products Administration and hosted by China Health Media Group.

2021 . . . . . .

- The Group was awarded honoured the "2021 Excellent Listed Company Award" (2021年傑出上市公司獎) at the 10th CFS Finance Summit and Sustainable Business Conference 2021.

- The Group ranked 15th amongst a hundred of companies in the "Top 100 of China Pharmaceutical Industry 2020" (2020年度中國醫藥工業百強榜單) by the China National Pharmaceutical Industry Information Centre.

- The Group won the "2021 Corporate Social Responsibility Industry Model Award" (2021企業社會責任行業典範獎) at the 11th Philanthropy Festival and Corporate Social Responsibility Carnival.

2022 . . . . . • Boan Biotech was listed as one of the "Future Healthcare VB100-Top 100 Innovative Biomedicine Companies" at the Sixth Future Medical Top 100 Conference Cloud Summit.

• The Group was honoured with two awards, the "2022 Outstanding Brand Image Award" and the "2022 Excellent Employer Award" at the 11th China Finance Summit.

• The Company and Boan Biotech were awarded the "2022 China Biopharmaceutical Industry Value Ranking" and were respectively named "Top 20 Most Influential Small Molecule Innovative Pharmaceutical Companies" and "Top 20 Most Influential Antibody Pharmaceutical Companies" at the "6th China Biopharmaceutical Innovation Cooperation Conference and 2022 China Biopharmaceutical Industry Value Ranking Awards Ceremony".

2023 . . . . . • The Company's self-developed Ruoxinlin and its R&D team were awarded "Pharmaceutical Innovation Achievement Award for the Year", "Top 10 Pharmaceutical Innovation Companies for the Year" and "Top 10 Pharmaceutical Innovation Research Teams for the Year" at the Third Drug Innovation Awards Annual Selection held by the Securities Times under People's Daily.

• The Company was awarded with the "2023 Outstanding Listed Companies Award" and the "2023 Most Valuable Investment Award" at the 12th China Finance Summit.

• The Company and Beijing WPU were selected as the "2023 Top 20 ESG Competitiveness of Chinese Pharmaceutical Listed Companies", "2023 Top 100 Chinese Pharmaceutical Innovative Enterprises" and the "2023 Best Practice Cases (50) of Traditional Chinese Medicine Inheritance and Innovation" respectively.

THE GROUP'S COMPETITIVE STRENGTHS

The Group believes the following competitive strengths contribute to its success and position as well as continued growth:

The Group focuses on four of the largest and fastest growing therapeutic areas in the PRC, the United States, Europe and other emerging countries or regions.

The Group focuses on pharmaceutical products within oncology, CNS, cardiovascular system and alimentary tract and metabolism, which are four of the largest and fastest growing therapeutic areas in the PRC, the United States, Europe and other emerging countries or regions. The Group believes its positioning within these markets will enable it to capture continued growth and increase its operational efficiency by further leveraging the Group's sales and marketing infrastructure and production capacity through the introduction of new products targeting these key therapeutic areas:

Oncology. In 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of oncology products was RMB1,414.1 million, RMB2,305.8 million, RMB2,122.4 million and RMB1,140.9 million, respectively, accounting for 27.2%, 38.5%, 34.5% and 37.1% of the Group's total revenue for the respective period.

CNS. In 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of CNS products was RMB1,323.8 million, RMB1,322.7 million, RMB1,694.6 million and RMB822.7 million, respectively, accounting for 25.5%, 22.1%, 27.6% and 26.8% of the Group's total revenue for the respective period.

Cardiovascular system. In 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of cardiovascular system products was RMB1,427.3 million, RMB1,535.7 million, RMB1,687.4 and RMB763.3 million, respectively, accounting for 27.4%, 25.7%, 27.5% and 24.8% of the Group's total revenue for the respective period.

Alimentary tract and metabolism. In 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of alimentary tract and metabolism products was RMB898.5 million, RMB632.4 million, RMB450.4 million and RMB195.7 million, respectively, accounting for 17.3%, 10.6%, 7.3% and 6.4% of the Group's total revenue for the respective period.

The Group's key products enjoy strong competitive positioning for highly prevalent medical conditions that are expected by the Group to grow stably globally.

The Group's product portfolio centres around its 16 key products which covers oncology, CNS, cardiovascular system, alimentary tract and metabolism. The Group believes that its 16 key products are competitively positioned globally for highly prevalent medical conditions and their market positions are expected to grow or maintain at its current level.

Lipusu® (力撲素®). Lipusu is the Group's proprietary formulation of paclitaxel using an innovative liposome injection delivery vehicle and a chemotherapy treatment of certain types of cancer. As of 30 June 2024, Lipusu was the first and only paclitaxel liposome product approved for sale globally. In January 2023, Lipusu successfully renewed its inclusion in category B of NRDL with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL.

CMNa® (希美納®). CMNa is sodium glycididazole, a proprietary compound that the Group prepares in injectable form and is indicated for use in connection with radiotherapy for certain solid tumours. It is a Class I New Chemical Drug and the only NMPA approved sensitiser for cancer radiotherapy in China. According to the NMPA, CMNa was the only glycididazole product available for sale as of 30 June 2024. A study conducted by an independent third party in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Boyounuo® (博優諾®). Boyounuo was approved to the market by the NMPA in April 2021. It is an anti-VEGF humanised monoclonal antibody injection and a biosimilar to Avastin® independently developed by Boan Biotech. As of 30 June 2024, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. In addition, Boyounuo has been included in the NRDL for all indications. For the international market, this product is under Biologics License Application ("**BLA**") review in Brazil. In February 2022, Boyounuo obtained the NMPA approvals to extrapolate its indications to epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. As of 29 March 2023, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent NSCLC, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. In January 2023, two new indications of Boyounuo were successfully included in the updated NRDL. As of 27 March 2024, Boyounuo has been included in the updated NRDL for all five indications.

Xuezhikang® (血脂康®). Xuezhikang is the Group's proprietary natural medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang

manufacturer in China as of 30 June 2024. According to IQVIA, the market for lipid-regulating drugs in China was estimated to be approximately RMB10.3 billion and RMB5.9 billion in the year of 2023 and the first half of 2024 respectively. According to IQVIA, Xuezhikang ranked as the most popular natural medicine for the treatment of hypercholesterolaemia and the fifth most-used lipid-regulating drug in China in the first half of 2024.

Oukai® (歐開®). As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. According to IQVIA, Oukai was ranked as the fourth most-used vasoprotective pharmaceutical product domestically manufactured in China in the first half of 2024.

Maitongna® (麥通納®). Maitongna is sodium aescinate in injectable form and is indicated for the treatment of cerebral edema and edema caused by trauma or surgery as well as for the treatment of venous reflux disorder. According to IQVIA, the market for vasoprotective pharmaceutical products in China was estimated to be approximately RMB3.4 billion and RMB1.7 billion in the year of 2023 and the first half of 2024 respectively. Maitongna was the bestselling domestically manufactured sodium aescinate product in China in the year of 2023 and the first half of 2024 and ranked as the third most-used vasoprotective pharmaceutical product domestically manufactured in China in the year of 2023 and the first half of 2024.

Bei Xi® (貝希®). Bei Xi is acarbose in capsule form and is indicated for lowering blood glucose in patients with type 2 diabetes mellitus. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in the year of 2023 and the first half of 2024. According to IQVIA, the market for acarbose products in China was estimated to be approximately RMB1.1 billion and RMB0.6 billion in the year of 2023 and the first half of 2024 respectively and Bei Xi ranked as the second most popular oral diabetic medication domestically manufactured in China in the year of 2023 and the first half of 2024.

*Rivastigmine Transdermal Patches (the "**Rivastigmine Patch**")*. The Rivastigmine Patch is rivastigmine in transdermal patches form approved in China, the U.S., Europe and other emerging countries or regions, indicated for mild to moderate dementia of the Alzheimer's type and dementia due to Parkinson's disease.

Seroquel® (思瑞康®) and *Seroquel XR*® (思瑞康緩釋片®). Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical antipsychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder. Seroquel XR is also approved in some markets for MDD and generalised anxiety disorder. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in 50 other developed and emerging countries.

Rykindo® (瑞欣妥®). Rykindo was approved to the market by the NMPA in January 2021. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia and is the only Risperidone Microspheres for Injection for sale in China as of 30 June 2024. Rykindo can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment. In December 2023, Rykindo has been included in the NRDL again under a renewed contract, maintaining the same payment standard under the health insurance remaining. In addition to China, Rykindo also received marketing approval from the FDA in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults.

Ruoxinlin® (若欣林®). Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), as a new chemical entity, was approved to the market by the NMPA for treating MDD in November 2022. As

far as the Company is aware, it is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. Ruoxinlin could comprehensively and stably improve depressive symptoms, including significantly reducing anxiety and retardation/fatigue, relieving anhedonia, improving cognition, and facilitating faster social recovery of patients. Further, the drug does not cause somnolence and has no significant impacts on sexual functioning, bodyweight, and lipid metabolism, demonstrating a favourable safety profile and good tolerability.

The Group has significant competitive strengths in R&D centred around its technology platforms and a robust pipeline of product candidates.

The Group's market-driven R&D efforts focus on product candidates that address rapidly growing clinical needs within China's largest and fastest growing therapeutic areas, with a focus on those candidates that have the potential for future commercialisation in global markets.

The Group's R&D activities are organised around four R&D platforms in the chemical drug sector — long-acting and extended release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to the biological sector supported by Boan Biotech's four cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, ADC Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating the Group's efforts between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics.

The following table sets forth selected information on each of the Group's R&D platforms:

Platform	Technology focus and highlight	Key product candidates under development
Long-acting and extended release technology	Focuses on innovation in microsphere technology	Risperidone extended release microspheres for injection
	Tailors drug release rates to the needs of a specific application	Goserelin Acetate Extended-release Microspheres for Injection
	Provides protection to active pharmaceutical ingredients that would otherwise be rapidly destroyed by the body Reduces the frequency of administration to improve patients' comfort and compliance	Rotigotine extended release microspheres for injection
Liposome and targeted drug delivery	Focuses on innovation in cancer-targeting delivery technology and liposome technology in order to improve the efficacy for proven compounds as well as reduce toxic side effects and increase maximum dosage level	Hydrochloride Irinotecan Liposome Injection
		Hydrochloride Irinotecan Floxuridine Liposome Injection
Transdermal drug delivery systems	Allows for constant and stable release of active ingredient to reduce side effects, seeks to enhance patient compliance Applicable to various indications	Rivastigmine multi-day transdermal patch ("**Rivastigmine MD**" or "**30410**")
New compounds	Seeks to improve existing compounds through rapid simulation, comparative research and deficiency reduction to selectively develop new proprietary compounds	Toludesvenlafaxine Hydrochloride Extended-Release Tablets

Platform	Technology focus and highlight	Key product candidates under development
Human Antibody Transgenic Mouse and Phage Display Technology	No humanisation work is needed for antibodies, which lowers the risks in drug development and greatly improves R&D efficiency; elicit an immune response quickly and produce a high antibody titer after immunisation, antibodies identified with high affinity and high specificity Efficient animal immunity technology, mature phage library construction technology, high-throughput and diverse phage based panning strategies, diverse evaluation capabilities for antibodies or antibody fragments	A recombinant anti-Claudin 18.2 fully human IgG1 monoclonal antibody A non-IL-2 blocking anti-CD25 antibody A long acting anti-IL-4Rα monoclonal antibody
Bispecific T-cell Engager Technology	Exhibits high avidity with tumour target antigen by bivalent binding to achieve better drug efficacy, and low affinity with T cells by monovalent binding to lower toxicity Further reduces CD3 antibody binding affinity, therefore significantly reduces the risk of CRS	CEA/CD3 bispecific antibody
ADC Technology and Cell Therapy Platform	Design, synthesis and screening potential ADC linker-payload Identification of potential internalised antibodies Diverse antibody conjugation technologies Evaluation of ADC *in vitro* and *in vivo* Process development and quality analysis for ADC products	A novel ADC candidate that targets Claudin 18.2

The Group has built wide collaboration with domestic and overseas companies in the development of monoclonal antibodies and cell therapies areas. The Group balances clinical development risk by strategically allocating its efforts between proprietary formulations of proven compounds and new chemical entities. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As at 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2024, the Group had been granted 272 patents and had 66 pending patent applications in the PRC, as well as 552 patents and 123 pending patent applications overseas.

The Group will continue to invest the products in four strategic therapeutic areas — oncology, CNS, cardiovascular and alimentary tract and metabolism. As of 30 June 2024, the Group had 27 PRC pipeline product candidates in various stages of development. These candidates included 18 oncology products, 5 CNS products and 4 other products. Also, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

The Group also sources new product candidates through collaborations with overseas pharmaceutical companies, research institutions and universities to further broaden the Group's access to proprietary products and leverage the Group's co-development partners' established R&D platforms, thereby minimising the upfront costs and risks associated with early stage product development.

In addition to the products launched in the past 3 years, the Group has a number of pipeline products under New Drug Application ("**NDA**") review in different markets as of 27 March 2024. Among them,

LY01017, LY021702, LY03010, LY03003 and BA1102 under NDA review in Chinese Mainland as well as LY03010 during NDA stage in the U.S. In addition, the Group also have over 10 pipeline products (e.g. LY03005, LY30410, LY021701, BA5101, BA9101, BA6101, BA1102 and BA1104) under phase 3 clinical trials, pivotal studies or NDA/BLA preparing stage in different markets.

The Group's sales network provides the Group with extensive coverage of hospitals and other medical institutions in China and the Group's in-house sales teams provide the Group with deep penetration in the Group's key therapeutic areas.

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 30 June 2024. The Group's sales, marketing and distribution functions are conducted through around 1,000 sales and marketing personnel and a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals, which comprised approximately 2,200 or approximately 88.0% of all Class III hospitals, approximately 5,750 or approximately 66.0% of all Class II hospitals and approximately 13,500 or approximately 63.0% of all Class I and other hospitals and medical institutions, in the PRC as of 30 June 2024. For international markets, the business of the Group covers 80 countries or regions including the U.S., countries in the EU, Japan, Association of Southeast Asian Nations, Latin America, GCC region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

In addition, through the acquisition of Seroquel and Seroquel XR from AstraZeneca in June 2018, the Group was granted a licence for the right, title and interest in the "Seroquel" registered trademarks, know-how, product records and regulatory information in certain territories covering 51 countries and regions which enables the Group to expand its business to a number of new markets.

The Group develops its marketing and promotion strategies centrally in order to maximise its brand recognition and optimise its product positioning in the PRC market. The Group implements its strategies primarily through its internal sales teams that are aligned to the Group's key therapeutic areas. The Group also utilises independent third party promoters where it believes such third party promoters could leverage their relationships to expand the Group's hospital coverage efficiently. The Group believes this approach enables it to optimise the allocation of the Group's marketing resources. The Group also believes that the alignment of its internal sales team to its therapeutic areas positions it well to conduct specialised, academic promotional activity that is specifically tailored to doctors and hospitals that drive demand for its products within their respective therapeutic areas.

In order to competitively position the Group's products, the Group's marketing department establishes marketing strategies for each of its products through market research and analysis and coordinates the various other departments involved in its marketing and promotion activities. In addition, the Group's marketing department is responsible for new product pre-marketing strategy, including market research and planning, allocation of marketing resources, and, based on new product features and competitive conditions, pricing strategy.

The Group places strong emphasis on academic promotion and carries out various marketing activities throughout China, including organising academic conferences, seminars and symposia, to promote awareness and knowledge of the Group's products in the industry.

The Group believes its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage because they are the result of the culmination of both academic promotions by its in-house personnel in different regions and partnerships with qualified distributors across the country. The Group believes its sales and marketing model also provides a solid foundation for the Group to continue to enhance market awareness of the Group's brand and expand the market reach of the Group's products.

In addition to the Group's continued efforts to strengthen its sales force recruiting, training and management programmes, it has also developed an internal management system and a robust compliance programme to manage and support its in-house and external sales and marketing team, as well as its nationwide distribution network.

The Group has expanded its business through selective strategic acquisitions and collaborations, and has a proven track record in identifying appropriate targets, successfully integrating acquired companies and collaborating with strategic partners.

The Group's historical growth has been supported by a series of successful and selective strategic acquisitions and collaborations. The Group focuses on pharmaceutical products that it deems to possess high growth potential in the PRC, acquisitions and collaborations that the Group believes will enable it to achieve rapid and effective market penetration in new therapeutic areas, as well as acquisitions and collaborations involving complementary technologies that the Group believes will enhance its ability to implement its market-driven R&D strategies, and international acquisitions and collaborations consistent with its long-term strategies. In general, the Group integrates an acquired company by: (i) streamlining an acquired company's sales and marketing, R&D, operations and finance functions using the Group's industry experience and business models; (ii) restructuring an acquired company's sales and marketing models by leveraging the Group's existing sales and marketing infrastructure so as to increase the direct marketing and promotion of those products; (iii) providing access to the Group's extensive network of coverage of hospitals and other medical institutions coverage; and (iv) upgrading an acquired company's production facilities to improve efficiency. In particular, the Group's current centralised sales and marketing model represents the integration and realignment of the various sales teams of companies the Group has acquired, and the Group has successfully incorporated the therapeutic focus of these teams under the Group's central management in order to maximise its brand recognition, market share and hospital coverage.

In June 2018, the Group acquired Seroquel and Seroquel XR, the atypical anti-psychotic (AAP) medicines with antidepressant properties, from AstraZeneca. AstraZeneca agreed to grant to Luye Pharma Hong Kong Limited a licence for the right, title and interest in the "Seroquel" registered trademarks, know-how, product records and regulatory information ("**Licensed Assets**") in certain territories covering 51 countries and regions, including China, the U.K., Brazil, Australia, Saudi Arabia, Mexico, South Korea, Thailand, Argentina, Malaysia and other countries and regions in Asia, Latin America, Africa, Oceania and Eastern Europe. The acquisition of Seroquel and Seroquel XR has further enriched the Group's existing CNS product portfolio, and helped the Group further expand in the PRC and into markets outside of the PRC. The Company believes that the acquisition allows the Group to capture certain synergetic effects brought along by the acquisition in terms of business development and sales channels in the relevant countries.

In January 2019, the Group entered into an agreement with AstraZeneca, pursuant to which, AstraZeneca is granted the right to promote the Group's Xuezhikang Capsules in China. Under the agreement, both parties agreed that the sales of Xuezhikang Capsule in China shall be maintained at a double digits compound annual growth rate ("**CAGR**") in the next ten years, significantly higher than the average growth rate of the market for the treatment of hypercholesterolaemia in China.

In March 2019, the Group and AstraZeneca signed a Memorandum of Understanding for intent to form a new strategic partnership jointly exploring opportunities for Xuezhikang Capsules in global markets other than China, further boosting the internationalisation of Xuezhikang Capsules.

In April 2019, the Group and Pharma Mar S.A. entered into a licence development and commercialisation agreement with respect to new innovative anticancer drug Lurbinectedin. Pursuant to the agreement, the Group has the exclusive rights to develop and commercialise Lurbinectedin for small cell lung cancer and all other indications in China. The Group will also have the right to request the transfer of the technology with respect to manufacturing of Lurbinectedin to the Group in China during the term of the agreement.

In February 2020, the Group completed the acquisition of Boan Biotech. Boan Biotech is a biotechnology company that develops biopharmaceutical products (including biosimilar and innovative drugs) with a focus on oncology, autoimmune diseases, ophthalmology, and metabolic diseases. Through such acquisition, the Group has expanded its R&D capability to the biological sector supported by Boan Biotech's three largest cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology and ADC Technology and Cell Therapy Platform. In December 2022, a subsidiary of the Company, namely Boan Biotech, completed its global offering and its shares were listed on the Stock Exchange on 30 December 2022. The Company believes the spin-off will allow Boan Biotech to build its identity as a separately listed company, to have a separate fund-raising platform for its fast growing business and to broaden its investor base, among other things.

In February 2021, the Company introduced a strategic investment by Hillhouse Investment (formerly known as Hillhouse Capital) to accelerate strategic changes with the power of top capital institutions.

For a more detailed discussion of the Group's recent acquisitions and collaborations, see "— *Merger and Acquisition and Collaborations*".

The Group has developed strong acquisition capabilities and resources. This includes industry relationships and in-house acquisition databases that can be used to screen and identify the most suitable targets that meet the Group's criteria, a dedicated business development staff with broad acquisition expertise and a well-established set of standard operating procedures to assist with integrating acquired targets into the Group's operations. The Group's previous acquisitions not only provided it with an opportunity to enter into new attractive therapeutic areas through established platforms, but also expanded and enhanced its existing product offering. The Group believe its strong capabilities, dedicated business development staff and proven track record in acquisition, integration and consolidation will help it to capture further business opportunities and to continue to expand the scale of its operations.

The Group has a stable, experienced, dedicated and visionary senior management team, as well as a sound corporate governance system.

The Group has a strong senior management team with in-depth knowledge of, and extensive experience in the PRC pharmaceutical industry. Members of the Group's senior management team possess an average of over 30 years of pharmaceutical industry-related or professional management experience. The Group's Executive Chairman and Chief Executive Officer, Mr. Liu Dian Bo, has more than 34 years of experience in the management of pharmaceutical companies and was one of the Group's founders. Mr. Yang Rong Bing, the Group's Executive Vice Chairman and also one of the Group's founders, has more than 35 years of experience in the pharmaceutical industry. Mr. Yuan Hui Xian, the Group's Executive Director and also one of the Group's founders, has 30 years of management experience with the Group's Group and was previously a physician for 14 years. The Group's Chief Financial Officer, Mr. Liu Yuan Chong, has extensive experience in accounting and finance, which helps ensure the effective management of the Group's financial system.

The Group's senior management team has been with the Group for an average period of more than 20 years, and has established a proven track record in identifying market opportunities, executing business strategies, guiding the Group's expansion into high growth areas and increasing the Group's overall profitability. The Group believes that it will be able to continue to capitalise on the industry expertise, professional management skills and strong execution capability of its senior management team and successfully formulate and implement its development strategies in the pharmaceutical industry.

THE GROUP'S STRATEGIES

The Group's objective is to consolidate and further enhance its leading position in its key therapeutic areas in the PRC, namely, oncology, CNS, cardiovascular system and alimentary tract and metabolism.

The Group targets to become a leading pharmaceutical company globally over the longer term. In order to achieve its goals, the Group intends to continue to pursue the following strategies:

Deepen the Group's market penetration and expand its coverage of hospitals and other medical institutions through efficient sales and marketing efforts.

To deepen the market penetration and increase the market share of its existing products, as well as position the Group to successfully commercialise the Group's product candidates under development and any additional products, the Group may acquire or in-licence through the increased efficiency and expansion of its sales force.

The Group intends to continue to strengthen its sales and marketing capabilities in each of its existing key therapeutic areas to further capitalise on the expected increase in its production capacity and market demand for its products. The Group intends to continue to expand its sales and distribution network as a result of potential strategic acquisitions.

At the same time, the Group intends to continue to implement measures to further increase the efficiency of its internal sales and marketing efforts. In order to increase its sales productivity, the Group intends to continue to strengthen its sales data analysis capability to ensure that required resources are properly allocated to hospitals and other medical institutions, which it believes will optimise the Group's sales volumes and manage its sales efforts appropriately.

Expand the Group's portfolio of competitively positioned, innovative products in key therapeutic areas through market-driven drug development programmes and increase investment in R&D.

The Group focuses on developing, producing, marketing and selling innovative pharmaceutical products in four of the largest and fastest growing therapeutic areas in the PRC, the U.S., Europe and other emerging countries or regions, namely oncology, CNS, cardiovascular system, alimentary tract and metabolism. The Group's R&D activities are organised around four platforms in the chemical drug sector — long-acting and extended release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to the biological sector supported by Boan Biotech's four cutting-edge platforms, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, ADC Technology and Cell Therapy Platform. The Group balances clinical development risks by strategically allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel biologics. The Group believes that its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as the Group's future growth and development. As at 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 master's degree holders in medical, pharmaceutical and other related areas. As at 30 June 2024, the Group had been granted 272 patents and had 66 pending patent applications in the PRC, as well as 552 patents and 123 pending patent applications overseas.

The Group intends to continue to gradually increase its investment in R&D, with the goal of building up differentiated innovation capability in R&D, and intends to expand its portfolio of innovative, competitively positioned products through market-driven drug development programmes focusing on product candidates that address rapidly growing clinical needs within China's largest and fastest growing therapeutic areas, with a focus on candidates that have the potential for future commercialisation in global markets. The Group's existing R&D platforms will be the primary drivers of additions to its product portfolio and the Group intends to continue to invest in its internal R&D efforts to develop its existing product candidates, as well as new product candidates. Through its R&D platforms, the Group balances clinical development risk by strategically allocating its efforts between proprietary formulations of proven compounds and new chemical entities. In particular, the Group believes that its long-acting and extended release technology platform and liposome and targeted drug delivery platform provide it with

the flexibility to target new formulations of blockbuster pharmaceutical products and obtain intellectual property rights to the products in order to extend their life cycle. The Group believes that its R&D strategy will allow the Group to maximise its returns on its R&D costs. In order to complement its drug development programmes, the Group intends to continue to explore product-focused acquisitions and in-licencing opportunities for third party proprietary products, particularly for products that are complementary to its existing product portfolio, and where the Group can effectively employ its sales and marketing infrastructure and manufacturing capabilities towards successfully commercialising those products.

The Group expects that continued expansion of its product portfolio will enable the Group to achieve significant operational efficiencies that will drive its profitability. In particular, the Group expects that an expanded product portfolio will enable the Group to achieve greater sales efficiency by leveraging the existing relationships of the Group's internal sales force within their respective therapeutic areas to drive additional revenues through the Group's existing sales channels. The Group believes that an expanded portfolio also enables the Group to fully maximise its production capacity and increase the Group's returns on its investment in its production facilities.

Accelerate the growth of the Group's business and its product portfolio through licensing, collaborations, acquisitions and effective integration.

The Group intends to continue to accelerate its business growth through selective licensing, collaborations and acquisitions of suitable pharmaceutical companies. The Group's licensing, collaboration and acquisition strategy has significantly contributed to its historical growth and expansion into new therapeutic areas. The Group intends to continue to implement its licensing, collaboration and acquisition strategy by focusing its efforts on pharmaceutical products that the Group deems to possess high growth potential, primarily within the four therapeutic areas that the Group currently operates in. The Group believes this approach will further enhance the Group's profitability by driving additional revenues through the Group's existing sales and marketing infrastructure and production facilities. The Group intends to also explore acquisitions and collaborations that it believes will enable the Group to achieve rapid and effective market penetration in new therapeutic areas, as well as acquisitions involving complementary technologies that the Group believes will enhance its ability to implement the Group's market-driven R&D strategies, and international acquisitions and collaborations consistent with the Group's long-term strategies. In order to implement its acquisition and collaboration strategy, the Group intends to leverage the Group's existing experience, capabilities and resources, including its industry relationships, its in-house acquisition databases that can be used to screen and identify suitable targets and partners and its dedicated, highly experienced business development staff. The Group has a proven track record in identifying attractive acquisition targets, consummating successful transactions and collaborating with strategic partners that complement its existing businesses and product offerings.

The Group intends to continue to capitalise on its experience to generate synergies from its strategic acquisitions and collaborations. The Group will continue to share resources, industry and management experiences, as well as expertise with the acquired companies as the Group believes these procedures will allow it to efficiently integrate the acquired businesses into the Group's existing platforms and business lines.

Grow the Group's international business through drug development programmes for overseas markets.

The Group has R&D programmes supported by collaboration with a number of research partners, a product candidate pipeline that has been selected with a focus on developing product candidates that have the potential for future commercialisation in global markets and production lines that meet international standards. The Group currently has a foothold in various overseas pharmaceutical markets. To further leverage its strong presence in its key therapeutic areas in the PRC and capitalise on its capabilities in

reaching international markets, the Group intends to continue to strengthen its marketing and branding for the Chinese market, set up a national network, expand to grassroots markets and increase the market share. The Group also intends to build its international marketing platforms with flexible market entry model, invest in brand building, and promote the Group's image on global market through current product brand leverage.

As at 30 June 2024, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

For overseas market product candidates the Group will seek to maximise the potential value of its product candidates by pursuing flexible development, partnership and commercialisation strategies tailored to the target market. For example, in developed markets the Group may seek co-development partners for its product candidates. The Group has maintained on-going relationships with a number of overseas pharmaceutical companies in the development of new product candidates.

Increase the Group's production capabilities through the steady growth of the Group's production capacity and continuous upgrades.

The Group intends to continue to increase its production capacity and capability by constructing new production lines, as well as to upgrade existing production lines and production facilities in anticipation of the continued growth of its business. The Group believes that expanding its production capabilities will also enhance its production flexibility and minimise its reliance on third-party manufacturers.

Continue to improve the Group's profitability and enhance efficiency in key aspects of its operations.

In 2022, 2023 and the first half of 2024, the Group's net profits were RMB583.3 million, RMB539.1 million and RMB438.2 million, respectively. The Group recorded a net loss of RMB144.8 million for the year ended 31 December 2021. The Group intends to continue to improve its profitability and enhance efficiency in key aspects of its operations. With respect to its sales and marketing activities, the Group is undertaking a series of changes and initiatives to adjust its marketing and promotion spend away from regions and products where marketing and promotion expenditure has lower returns and increase its overall sales efficiency. The Group also believes its positioning within four of the largest and fastest growing therapeutic areas in the PRC, the United States, Europe and other emerging countries or regions as well as its strategic expansion of product portfolio will enable it to increase its operational efficiency by further leveraging its sales and marketing infrastructure through the introduction of new products targeting these key therapeutic areas.

The Group also intends to continue to increase its profitability through production efficiency. The Group intends to continue to enhance automation, control inflation of manufacturing personnel costs and continuously upgrade its existing production facilities. The Group intends to also continue to develop new, or improve existing, production techniques to enhance product quality and manufacturing efficiency. The Group believes the continued expansion of its product portfolio will fully maximise its production capacity and increase its returns on its investment in its production facilities to drive profitability. The Group will also seek to increase its profitability by further optimising its management and business procedures in order to derive greater synergies between various segments and functions of the Group. The Group's management team intends to continue to promote greater sharing of resources internally, while systematically implementing the Group's strategies across business lines to enhance strategic coordination, which the Group believes will enable it to further improve its management efficiency and overall profitability.

THE GROUP'S PRODUCTS

As of 30 June 2024, the Group had a portfolio of over 30 products, covering over 80 countries and regions around the world, including large pharmaceutical markets — China, the U.S., Europe and Japan, as well as fast growing emerging markets.

The following table sets forth a breakdown of the Group's revenue, by amount and as a percentage of the Group's revenue, from the sale of products by therapeutic area for the periods indicated:

	For the year ended 31 December (audited)						For the six months ended 30 June 2024 (unaudited)	
	2021		2022		2023			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Therapeutic Area								
Oncology drugs	1,414,121	27.2	2,305,841	38.5	2,122,380	34.5	1,140,907	37.1
Cardiovascular system drugs	1,427,280	27.4	1,535,718	25.7	1,687,359	27.5	763,331	24.8
Alimentary Tract and Metabolism drugs	898,455	17.3	632,356	10.6	450,420	7.3	195,729	6.4
CNS drugs	1,323,765	25.5	1,322,724	22.1	1,694,624	27.6	822,680	26.8
Others	136,605	2.6	185,017	3.1	188,295	3.1	151,935	4.9
Total	5,200,226	100.0	5,981,656	100.0	6,143,078	100.0	3,074,582	100.0

The Group's current product portfolio centres around 16 key products that are indicated for the treatment or prevention of highly prevalent medical conditions that are expected to grow significantly, including cancer, cardiovascular diseases, diabetes and CNS diseases.

Oncology Products

The Group markets and sells oncology products, including five of its sixteen key products. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of oncology products was RMB1,414.1 million, RMB2,305.8 million, RMB2,122.4 million and RMB1,140.9 million respectively.

Key Oncology Products

Lipusu® (paclitaxel liposome injection) (力撲素®(注射用紫杉醇脂質體))

Lipusu is the Group's proprietary formulation of paclitaxel, a taxanes-based anti-microtubule agent that inhibits the ability of cancer cells to divide and spread, using an innovative liposome injection delivery vehicle. It is a chemotherapy indicated for various cancers such as non-small cell lung cancer, ovarian cancer and breast cancer. The liposome delivery vehicle employed in Lipusu avoids the need to use solvents to overcome solubility issues commonly associated with paclitaxel formulations. The absence of solvents reduces the risk of life-threatening allergic reactions and other detrimental side-effects and enables higher dosage levels in order to provide better efficacy, according to a 2012 study.

As of 30 June 2024, Lipusu was the first and only paclitaxel liposome product approved for sale globally. In January 2023, Lipusu successfully renewed its inclusion in category B of China's NRDL with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL.

CMNa® (sodium glycididazole injection) (希美納®(注射用甘氨雙唑鈉))

CMNa is sodium glycididazole, a proprietary compound that the Group prepares, in injectable form. CMNa is classified by the NMPA as a chemical prescription drug and is indicated for use as a sensitiser in connection with radiotherapy for certain solid tumours, such as head and neck cancer, oesophageal cancer and lung cancer. CMNa accelerates the damage to tumour cells caused by radiotherapy without increasing the side effects on normal cells. It is a Class I New Chemical Drug and the only NMPA approved sensitiser for cancer radiotherapy in China.

In 2009, the Group commissioned an independent third party international market intelligence provider in pharmaceutical and healthcare industries, who has provided data compilation services for nearly 60

years, to conduct a pharmacoeconomics study on CMNa product. The study evaluated the pharmacoeconomics of CMNa when used in conjunction with chemotherapy in patients suffering from oesophageal cancer, lung cancer, nasopharyngeal cancer and cervical cancer, respectively. The study concluded that the use of CMNa for the treatment of these cancers increased the probability of complete or partial remission for these cancer patients.

According to the NMPA, CMNa was the only glycididazole product available for sale in China as of 30 June 2024. An independent third party study in 2009 concluded that the use of CMNa for the treatment of certain cancers increased the probability of complete or partial remission and reduced overall treatment costs.

Boyounuo® (Bevacizumab injection) (博優諾®(貝伐珠單抗注射液))

Boyounuo (*Bevacizumab injection*) was approved to the market by the NMPA in April 2021. It is an anti-VEGF humanised monoclonal antibody injection and a biosimilar to Avastin® independently developed by Boan Biotech.

As of 30 June 2024, Boyounuo has been approved by the NMPA for the treatment of mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma. In addition, Boyounuo has been included in the NRDL for all indications. For the international market, this product is under BLA review in Brazil. In February 2022, Boyounuo obtained the NMPA approvals to extrapolate its indications to epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. As of 29 March 2023, Boyounuo has been approved by the NMPA for the treatment of metastatic colorectal cancer, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer. In January 2023, two new indications of Boyounuo were successfully included in the updated NRDL. As of 27 March 2024, Boyounuo has been included in the updated NRDL for all five indications.

Cardiovascular System Products

The Group markets and sells cardiovascular system products, including three of its 16 key products. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of cardiovascular system products was RMB1,427.3 million, RMB1,535.7 million, RMB1,687.4 million and RMB763.3 million respectively.

Key Cardiovascular System Products

Xuezhikang® (Xuezhikang capsules) (血脂康®(血脂康膠囊)) (also known as Lipascor® capsules in Malaysia and Singapore)

Xuezhikang is the Group's proprietary Chinese medicine derived from red yeast rice indicated for hypercholesterolaemia. According to the NMPA, the Group was the only Xuezhikang manufacturer in China as of 30 June 2024. Xuezhikang is classified by the NMPA as a Chinese medicine and is indicated for hypercholesterolaemia. Xuezhikang can reduce total blood cholesterol, triglycerides and low density lipoprotein (bad cholesterol), increase high density lipoprotein (good cholesterol), inhibit atherosclerotic plaque formation, protect vascular endothelial cells and inhibit lipid deposition in the liver. In June 2023, Xuezhikang capsules has been approved in Uzbekistan for the treatment of hyperlipidemia and cardiovascular and cerebrovascular diseases caused by hyperlipidemia and atherosclerosis.

According to the Chinese Guideline for the Prevention and Management of Dyslipidemia in Adults included in the May 2007 edition of the Chinese Journal of Cardiovascular Disease, the Chinese Coronary Secondary Prevention Study conducted for Xuezhikang was the only large-scale evidence-based clinical

study conducted in respect of the treatment of hypercholesterolaemia in the Chinese population. This was a multi-centre, randomised study carried out from May 1996 to December 2003 involving over 4,700 patients across 65 hospitals in China concluded that long-term treatment with Xuezhikang significantly decreased the recurrence of coronary heart disease and mortality rates in Chinese patients with average levels of low-density lipoprotein ("**LDL**") cholesterol. Moreover, treatment with Xuezhikang significantly improved plasma lipoprotein lipids and was safe and well tolerated by patients. Treatment with Xuezhikang also significantly decreased the occurrences of cardiovascular diseases and total mortality by 30% and 33%, the need for coronary revascularisation by one third, and lowered total cholesterol and LDL-C lipoprotein cholesterol and triglycerides, but raised HDC-C levels. The results of this study were published in the American Journal of Cardiology in 2008.

In January 2019, the Group entered into an agreement with AstraZeneca, pursuant to which, AstraZeneca is granted the right to promote the Group's Xuezhikang Capsules in China. Under the agreement, AstraZeneca is responsible for the promotion of Xuezhikang capsules in China on an exclusive basis, while the Group continues to hold rights, such as asset rights, the right to sell, registration permit, all intellectual property rights and rights other than the promotion, of the product.

Under the agreement, both parties agreed that the sales of Xuezhikang Capsule in China shall be maintained at a double digits CAGR in the next ten years, significantly higher than the average growth rate of the market for the treatment of hypercholesterolaemia in China. Besides, both parties agreed to discuss potential registration and commercialisation opportunities of Xuezhikang Capsules in other markets around the world (including but not limited to the U.S., Europe and other emerging markets) and to explore opportunities for closer ties of cooperation to enhance each other's future business development.

Oukai® (aescinate tablet) (歐開®(七葉皂苷片))

As far as the Company is aware, Oukai is the only oral aescinate tablet in China to contain sodium salt and is widely used to treat soft tissue swelling and venous edema caused by various reasons. Oukai has maintained rapid growth in the past years. It has become another important product in the Group's cardiovascular therapeutic area. The Group will continue to explore the use scenarios and departments of this product to expand the market potential of this product.

Maitongna® (sodium aescinate injection) (麥通納®(注射用七葉皂苷鈉))

Maitongna is sodium aescinate extracted from ripened dry seeds of aesculus wilsonii, in injectable form. Sodium aescinate is classified by the NMPA as a chemical prescription drug and is indicated for the treatment of cerebral oedema and oedema caused by trauma or surgery as well as for the treatment of venous reflux disorder. Maitongna is clinically proven to have anti-inflammation and anti-oedematous properties.

In-vivo studies of Maitongna on rats compared Maitongna with a common glucocorticoid and another non-steroidal anti-inflammatory drugs concluded that Maitongna has a longer lasting therapeutic effect on swelling and inflammation. It has also been clinically proven that sodium aescinate injection is an effective medication for the treatment of, amongst other things, traumatic brain injury, cerebrovascular disease, radioactive cerebral oedema, acute facial paralysis and acute lumbar disc disease.

Alimentary Tract and Metabolism Products

The Group markets and sells alimentary tract and metabolism products, which includes one of its 16 key products. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of alimentary tract and metabolism products was RMB898.5 million, RMB632.4 million, RMB450.4 million and RMB195.7 million respectively.

Key Alimentary Tract and Metabolism Product

Bei Xi® (acarbose capsules) (貝希®(阿卡波糖膠囊))

Bei Xi is acarbose in capsule form. Bei Xi is classified by the NMPA as a chemical prescription drug and is indicated as an adjunct to diet for lowering blood glucose in patients with type 2 diabetes mellitus whose hyperglycaemia cannot be managed on diet alone. According to the NMPA, the Group was the only manufacturer of acarbose in capsule form in China in the year of 2023 and the first half of 2024.

Clinical studies have concluded that the addition of acarbose to diabetic patients being treated with insulin therapy or diabetic patients being treated with metformin, an oral diabetic medication, can be a safe and effective method of improving glycaemic control. A 2007 clinical study in China compared the efficacy of Bei Xi with an imported acarbose product and concluded that Bei Xi demonstrated the same efficacy and was as well tolerated as the imported acarbose product in patients suffering from type 2 diabetes mellitus. In addition, a study in 2013 comparing the hypoglycaemic effect of acarbose monotherapy in patients with type 2 diabetes mellitus consuming eastern or western diets concluded that the hypoglycaemic effect of acarbose is superior in patients consuming an eastern diet than in those consuming a western diet and that the hypoglycaemic effect of acarbose in these patients is similar to that of sulfonylureas, metformin and glinide drugs.

Central Nervous System Products

The Group markets and sells CNS products, including five of its 16 key products. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue from sales of CNS products was RMB1,323.8 million, RMB1,322.7 million, RMB1,694.6 million and RMB822.7 million, respectively.

Key Central Nervous System Products

Rivastigmine Transdermal Patch

The Rivastigmine Patch is rivastigmine in transdermal patches form approved in China, the U.S., Europe and other emerging countries or regions and is indicated for mild to moderate dementia of the Alzheimer's type and dementia due to Parkinson's disease. Rivastigmine is in a class of medicines called cholinesterase inhibitors. Such medicines can improve cognitive functions, such as memory and thinking, by increasing the amount of a certain natural substance in the brain and amplifying the communication channels between nerve cells, which are less active in individuals with mild to moderate Alzheimer's disease. The drug is currently available in the form of tablets and patches.

Rivastigmine MD is a twice-weekly innovative patch formulation of Rivastigmine for the treatment of mild to moderate dementia associated with Alzheimer's disease. The product was developed by the Group on its proprietary transdermal patch platform and is one of the Group's core products in the CNS therapeutic field. Rivastigmine MD requires lower frequency of application than the Rivastigmine once-daily patches generally available in the market, enabling it to improve patients' medication adherence. Due to its transdermal route of administration, Rivastigmine MD is convenient for patients who have difficulty in swallowing, and it might have the potential to lower the incidence of gastrointestinal adverse reactions such as nausea and vomiting compared with the oral form. The Group has filed, and has been issued, a portfolio of international patents protecting Rivastigmine MD. In May 2021, Rivastigmine MD is eligible for marketing authorisation by individual member states in the EU. In September 2021, the Rivastigmine MD received marketing authorisation in the United Kingdom.

In April 2022, the marketing authorisation application for the CNS product Rivastigmine Twice-Weekly Transdermal Patch developed by the Group has been accepted by the Centre for Drug Evaluation

("**CDE**") in China. The product is indicated for the treatment of mild to moderate dementia associated with Alzheimer's disease. Rivastigmine Twice-Weekly Transdermal Patch requires lower frequency of application than the Rivastigmine Single-Day Transdermal Patch generally available in the market, enabling it to improve patients' medication adherence. Due to its transdermal route of administration, Rivastigmine Twice-Weekly Transdermal Patch is convenient for patients who have difficulty in swallowing, and it reduce the incidence of gastrointestinal adverse reactions such as nausea and vomiting compared with the oral form. The product has received marketing authorisation for several European countries in 2021. In order to promote the product for the benefit of more Chinese patients, the Group and Changchun GeneScience Pharmaceutical Co., Ltd. ("**GENSCI**") entered into an agreement in December 2021 to grant GENSCI the commercialisation rights of Rivastigmine Twice-Weekly Transdermal Patch and other products in mainland China. In October 2023, Rivastigmine MD has been approved by the NMPA of China for the symptomatic treatment of mild to moderate Alzheimer's disease. The phase 3 clinical trial of Rivastigmine MD in Japan is also progressing well.

Seroquel® (思瑞康®) and Seroquel XR® (思瑞康緩釋片®).

Seroquel (quetiapine fumarate, immediate release, IR) and Seroquel XR (extended release formulation) are atypical antipsychotic medicines with antidepressant properties. The main indications for Seroquel are the treatment of schizophrenia and bipolar disorder ("**BPD**"). Seroquel XR is also approved in some markets for major depressive disorder and generalised anxiety disorder. In addition to China, Seroquel and Seroquel XR are also marketed by the Group in 50 other developed and emerging countries.

Rykindo® (瑞欣妥®)

Rykindo (risperidone for extended-release injectable suspension) is an extended-release microsphere for injection administered bi-weekly for the treatment of schizophrenia. It was approved to the market by the NMPA in January 2021. It is the first innovative formulation developed under the Group's long acting and extended technology platform that received marketing approval. Rykindo is the only Risperidone Microspheres for Injection for sale in China as of 30 June 2024. Rykindo can significantly improve the medication compliance issues which are common among patients with schizophrenia in relation to oral antipsychotic drugs, and simplify the treatment regimen. Rykindo also has several advantages over another marketed long-acting injectable drug. For example, unlike the reference drug, there is no need for administration of the oral formulation following the first injection of Rykindo. Furthermore, steady plasma drug levels can be reached much faster with Rykindo than with the reference product. Thus, patients at acute phase who are less compliant and cooperative can benefit from the fast symptom control afforded by Rykindo. After the discontinuation of use, the concentration of Rykindo in human body drops markedly faster than that of the reference drug, making it convenient for doctors to adjust dosage according to patients' conditions. Patients using Rykindo also have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment as a result. Patients using Rykindo are also expected to have stable clinically effective plasma drug level and can benefit from more convenient clinical treatment.

In December 2023, Rykindo has been included in the NRDL again under a renewed contract, maintaining the same payment standard under the health insurance remaining. In addition, Rykindo also received marketing approval from FDA in January 2023, as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults. As far as the Company is aware, Rykindo is the first FDA approved complex dosage form product developed by a pharmaceutical company in mainland China in accordance with 505(b)(2) of the Federal Food, Drug and Cosmetic Act.

Ruoxinlin® (若欣林®)

Ruoxinlin (Toludesvenlafaxine Hydrochloride Extended-Release Tablets), as a new chemical entity, was approved to the market by the NMPA for treating MDD in November 2022. As far as the Company is aware, it is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. Ruoxinlin could comprehensively and stably improve depressive symptoms, including significantly reducing anxiety and retardation/fatigue, relieving anhedonia, improving cognition, and facilitating faster social recovery of patients. Further, the drug does not cause somnolence and has no significant impacts on sexual functioning, bodyweight, and lipid metabolism, demonstrating a favourable safety profile and good tolerability.

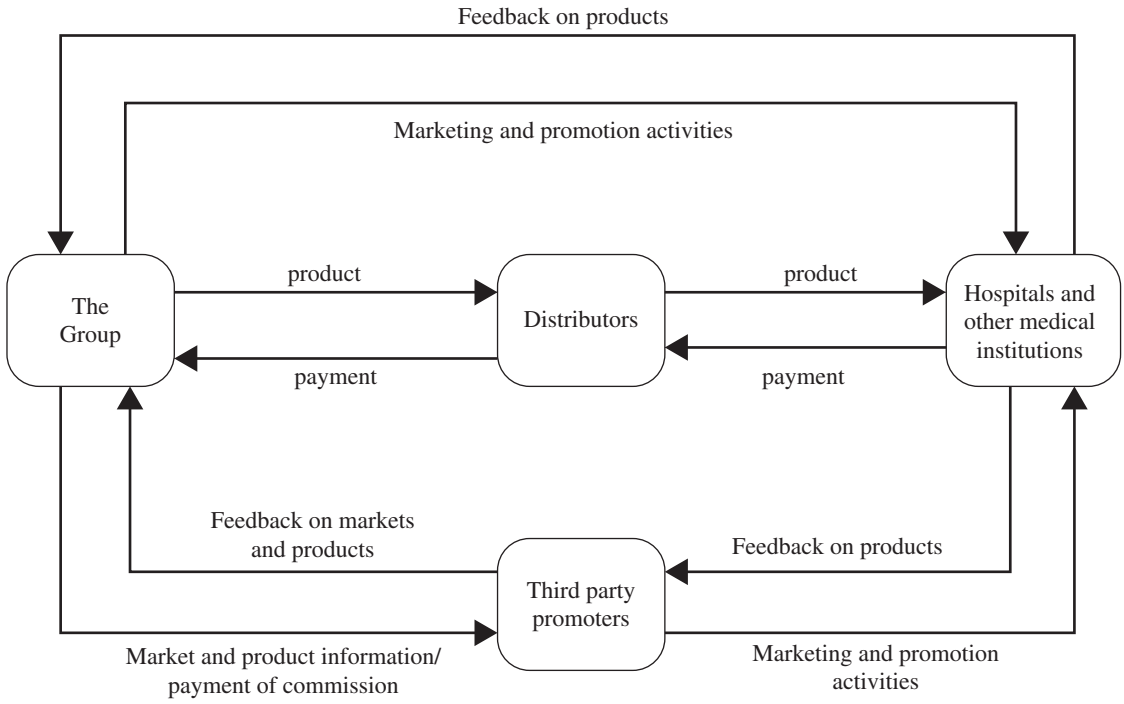
The results of the mechanism of action ("**MOA**") for Ruoxinlin were published in Frontiers in Pharmacology. The results of phase II clinical trial were published in the International Journal of Neuropsychopharmacology and released at the 19th National Psychiatry Conference of the Chinese Medical Association. The results of phase III clinical trial were presented in the 2022 annual meeting of the American Psychiatric Association ("**APA**"). A pre-clinical study on MOA of Ruoxinlin® shows that it is a serotonin (5-HT)-norepinephrine ("**NE**")-dopamine ("**DA**") reuptake inhibitor ("**SNDRI**"). Neurotransmitters 5-HT, NE, and DA are closely associated with MDD. Compared with existing selective 5-HT reuptake inhibitors and 5-HT/NE reuptake inhibitors, SNDRI increases the intervention of DA, which promises a greater synergy between the therapeutic agents and a more comprehensive improvement in different dimensions of MDD symptoms of depressed patients. It can also alleviate the side effects caused by the decrease in DA as a result of increased 5-HT levels.

SALES, MARKETING AND DISTRIBUTION

The Group has established an extensive nationwide sales and distribution network and sold its products to 31 provinces, autonomous regions and municipalities throughout the PRC as of 30 June 2024. The Group's sales, marketing and distribution functions are conducted through over 1,000 sales and marketing personnel and a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals, which comprised approximately 2,200 or approximately 88.0% of all Class III hospitals, approximately 5,750 or approximately 66.0% of all Class II hospitals and approximately 13,500 or approximately 63.0% of all Class I and other hospitals and medical institutions, in the PRC as of 30 June 2024. The Group believes that its sales and marketing model and extensive coverage of hospitals and other medical institutions represent a significant competitive advantage and a culmination of both academic promotions by the Group's in-house personnel in different regions and partnerships with high-quality distributors across China. The Group also believes that its sales and marketing model provides a solid foundation for the Group to continue to enhance market awareness of its brand and expand the market reach of its products.

Outside of the PRC, the Group has commercial offices in the U.S., Switzerland, Germany, Japan, Hong Kong, Singapore and Malaysia. The Group has strong sales partnerships with more than 50 partners throughout the world, covering 80 countries or regions including the U.S, countries in the EU, Japan, ASEAN, Latin America, GCC region and other emerging countries or regions.

The following diagram illustrates the relationships among the Group, the Group's third party promoters, the Group's distributors and the hospitals and other medical institutions that purchase the Group's products:



Marketing and Promotion

The Group develops its marketing and promotion strategies centrally and implements the strategies primarily through four internal sales teams that are aligned to the Group's key therapeutic areas. The Group also utilises independent third party promoters where it enables the Group to leverage their relationships to expand hospital coverage efficiently. The Group believes this approach enables it to optimise the allocation of its marketing resources. The Group expects to continue to expand the Group's sales force by increasing recruitment of qualified personnel and consolidating sales teams of acquired companies in anticipation of the Group's business growth.

The centralised marketing department of the Group is responsible for developing the overall sales and marketing strategies. The marketing department establishes the marketing strategies for each of the Group's products through its research and analysis of the competitive positioning of the products and coordinates the various other departments involved in the marketing and promotion activities. In addition, the marketing department is responsible for new product pre-marketing strategy, including market research and planning, allocation of marketing resources, and, based on new product features and competitive conditions, pricing strategy. By adopting a centralising and coordinating approach, the Group is able to implement overall brand strategies through academic and professional marketing that maximise brand recognition, market share and coverage of hospitals and other medical institutions.

In-house Sales Force

According to the strategies developed by the marketing department, internal marketing and promotional activities are conducted primarily through sales teams that are aligned to the Group's key therapeutic areas. Each division is responsible for the implementation of the Group's marketing strategies by promoting the relevant products directly to hospitals and other medical institutions in the PRC through promotional activities and the provision of related information that seek to be academic in nature and are designed to educate the doctors at the relevant hospitals and other medical institutions as to the usage and benefits of the Group's products. The sales and promotion team consisted of over 1,000 sales and marketing personnel.

Third Party Promoters

The Group utilises third party promoters for certain products, therapeutic areas and geographies in order to expand coverage and deepen market penetration while maintaining operational flexibility and optimising resource allocation. For example, AstraZeneca has been granted the right to promote one of the 16 key products, Xuezhikang Capsules, in mainland China on an exclusive basis pursuant to an agreement entered into in January 2019 between AstraZeneca and the Group. The Group's promoters management division is responsible for the management of third party promoters, including the establishment of annual promotion targets for such promoters. The Group's in-house sales teams primarily cover all classes of hospitals and medical institutions in major cities in the PRC, while third party promoters primarily cover Class II hospitals, Class I hospitals and other medical institutions that are not covered by internal sales force.

Key Opinion Leaders ("KOLs")

In addition to in-house sales team and third party promoters, the Group has also established a network of over 1,000 KOLs across a range of therapeutic areas in China, including oncology, cardiovascular system and alimentary tract and metabolism, as well as central nervous system. KOLs are typically medical doctors specialising in various therapeutic areas related to the Group's products. They hold an independent professional interest in learning the latest disease management options available in China within their therapeutic areas, as well as introducing cutting-edge medical information and products that they believe have clinical benefits to other physicians in order to maintain their standing within the broader medical community. The Group helps KOLs develop their understanding of the clinical benefits and risks of the Group's products as compared to other treatment options existing in China by informing them technical and clinical aspects of the Group's products or facilitating their participation in clinical trials and post-market studies on or related to the Group's products. Subsequently, the Group may invite KOLs to share their views or the outcomes from the clinical trials and post-market studies with other physicians and participants at various academic conferences, seminars and symposiums that the Group sponsors or organises. The Group believes that these KOLs' views on the products help lend credibility to the Group's marketing and promotion efforts. The Group also facilitates publications by the Group's KOLs in medical journals that summarise their views or the outcomes of the clinical trials and post-market studies on the Group's products.

Marketing Support

The marketing and promotion of the Group's products are further supported by a number of additional departments:

Sales effectiveness and training department. The sales effectiveness and training department is responsible for managing the overall effectiveness of the Group's sales and promotion process, training sales personnel according to the Group's business needs and analysing monthly sales data in order to enhance the efficiency of the Group's sales teams. Sales effectiveness and training department has implemented a sales capability process to strengthen the effectiveness of the Group's sales force through increased sales data analysis capability that enables the Group to evaluate the required resource to be allocated to hospitals and other medical institutions to optimise allocation of sales personnel among such hospitals and other medical institutions. The Group then manages sales efforts accordingly, including levels of direct promotional activity and the overall sales process for different regions, to increase sales productivity.

In order to motivate sales staff and increase their efficiency, the Group evaluates their performance quarterly, semi-annually, annually with references to key performance indicators, and these evaluations are directly linked to remuneration. The Group has also established a comprehensive training system for its sales teams, including entry level staff, staff with two to three years sales experience and senior sales staff with more than three years' experience and has established an educational programme that enables the continuous development of the employees in the sales teams.

Market access department. The market access department is responsible for analysing applicable laws and regulations in the pharmaceutical industry and formulating corresponding marketing strategies, as well as preparing tender documents and participating in the centralised tender process with a view to ensuring that the Group's products remain competitive in the centralised tender process. In connection with the regulatory review of Medical Insurance Catalogues and National List of Essential Drugs, the market access department provides information and data to relevant regulatory agencies with a view to ensuring that key products are listed in the Medical Insurance Catalogues and National List of Essential Drugs where the Group believes such listings to be beneficial. The market access department also works with other divisions on the overall management of matters relating to government affairs.

Medical department. The medical department supports marketing and promotion activities through the provision of academic information relating to the Group's products and medical training to internal sales teams and third party promoters based upon the relevant product's life cycle, as well as the development of further clinical studies for the Group's products once they have been launched in the PRC. The medical department also works closely with KOLs in order to provide the information and data necessary for the development of their opinions.

Distribution

The Group's products are generally sold to hospitals and other medical institutions by distributors. As of 30 June 2024, the Group has a network of approximately 1,650 distributors that collectively enabled the Group to sell its products to over 21,450 hospitals. All the distributors are independent third parties of the Group.

The Group's distributor management division is responsible for the overall management of distributors. Distributors are selected based on various criteria, including their coverage of hospitals and other medical institutions, industry track record, reputation, experience, delivery capabilities, cash flow conditions and creditworthiness.

While the PRC pharmaceutical distribution industry has traditionally been fragmented with a large number of small and local distributors, the PRC government has introduced policies over the past few years that encourage industry consolidation by way of mergers and restructurings, pursuant to which groups of distributors were combined into a single entity. These include the Dual-Invoicing System (兩票制) promulgated by the Chinese government in 2016. The dual-invoicing system allows a maximum of two invoices between a manufacturer and hospital — each manufacturer will sell to a distributor and that distributor will sell directly to hospitals, eliminating multi-tiered distribution. Many of the Group's distributors are members of large pharmaceutical distributor groups in China. The individual members of those pharmaceutical distributor groups that act as the Group's distributors are distinct legal entities holding separate GSP certificates. The Group separately evaluates such distributors on an individual basis, negotiate contractual arrangements with them individually and ultimately enter into separate contractual agreements with them. Consequently, the Group's engagement of, or termination or non-renewal of contractual relationships with, an individual member of the each pharmaceutical distributor group is independent of the Group's engagement of, or termination or non-renewal of contractual relationships with, any other member of such pharmaceutical distributor group. As a result, the Group believes its level of concentration risk is not specific to its business.

The Group believes its existing distribution model is in accordance with customary industry practice and serves to ensure efficient coverage of its sales network while controlling its cost of distribution.

Product Pricing

Pricing of pharmaceutical products in the PRC is heavily regulated. The market access department analyses government policies and regulations in order to develop product pricing strategies for the PRC public hospital centralised tender process and procure the Group's products' entry into the national Medical Insurance Catalogue at appropriate pricing levels.

A substantial portion of the Group's products which it sells to its customers are then sold to public hospitals and other medical institutions owned or controlled by government authorities in China. Each public medical institution must make substantially all of their purchases of pharmaceutical products through a centralised tender process. The centralised tender process is held in different provinces and cities with varying terms, procedures and preferences and is usually organised at the national, provincial or city levels. How often a drug is required to resubmit a tender under the centralised tender process varies across different provinces, which generally ranges from two to three years. The selection of the winning bidder is based on a number of criteria, including bid price, product quality, clinical effectiveness, qualifications and reputation of the manufacturer and after-sale services. The successful bid price in the tender process dictates the price at which distributors sell the relevant product to the relevant public medical institutions. If the Group is successful in winning bids in a centralised tender process, the relevant products will be sold to the public medical institutions at the bid prices, which primarily determines the prices at which the Group sells its products to the Group's distributors. The centralised tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. The Group's bidding strategy generally focuses on differentiating the Group's products instead of competing solely based on pricing.

The PRC government requires existing generic drugs to undergo and pass consistency evaluation. Generic drugs that have passed the consistency evaluation in China are afforded certain advantages, including preferential treatment in centralised tender process.

Price Control Measures Affecting the Group's Key Products

On 15 November 2018, the Joint Procurement Office published the papers on Drug Centralised Procurement in "4+7 Cities" (the "**Paper**") ("4+7城市藥品集中採購文件"), which launched the national pilot scheme for drugs, centralised tendering with minimum procurement quantities. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xian (the "**4+7 cities**"). The Paper listed 31 drugs and an intended quantity commitment for each drug for centralised tendering in the 4+7 cities.

The drug being offered for tender must belong to one of the following categories:

- an originator drug or reference preparations used for consistency evaluation designated by NMPA;
- a generic drug that has passed the consistency evaluation; or
- a generic drug approved for registration according to the Notice of the Reform Work Plan for the Classification Registration of Chemical Drugs (《關於發佈化學藥品註冊分類改革工作方案的公告》) issued by the NMPA on 4 March 2016.

The tenderer must also ensure that its annual production and sales capacity can satisfy the intended minimum quantity requirement.

The procurement cycle is 12 months and is calculated from the execution date of the successful bid result. During these 12 months, public hospitals must prioritise their drug purchasing from the successful bidder until the quantity commitment has been satisfied. If the quantity commitment is satisfied, the excess is still procured at the selected price until the expiration of the procurement cycle. On the basis of prioritising the use of selected drugs in centralised procurement, the medical institutions in 4+7 cities may purchase the non-selected drugs at the appropriate price for the remainder.

On 1 January 2019, the General Office of the State Council also published the Notice of Issuing Pilot Programme of the Centralised Procurement and Use of Drugs Organised by the State (the "**Notice**") (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which is aimed to achieve a significant reduction in drug prices and improve the market-oriented drug pricing mechanism. The Notice provides additional detailed measures in the implementation of the national pilot scheme for drugs centralised tendering with minimum procurement quantities in the 4+7 cities.

According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralised Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), which was promulgated and came into effect on 25 September 2019, together with the Documents on National Centralised Drug Procurement (GY-YD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) issued by the Joint Procurement Office on 29 December 2019, the model of centralised procurement with target quantity in the pilot program for conducting centralised procurement and use of drugs will be promoted nationwide and all manufacturers of drugs within the scope of centralised procurement marketed in China, with the approval of the medical products administration, may participate in the pilot scheme.

On 29 July 2020, the Joint Procurement Office issued the Documents on National Centralised Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) to launch the third batch of the volume-based procurement, according to which, 56 drug varieties were included in the catalogue of procurement. On 15 January 2021, the Joint Procurement Office issued the Documents on National Centralised Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件(GY-YD2021-1)》) to launch the fourth batch of the volume-based procurement, according to which, 45 drug varieties were included in the catalogue of procurement.

A drug being offered for tender must belong to one of the following categories:

- an originator drug or reference preparations used for consistency evaluation designated by the NMPA;
- a generic drug that has passed the consistency evaluation;
- a generic drug approved for registration according to the NMPA Notice No. 51 (2016); or
- a drug included in the Catalogue of the Drugs Marketed in China.

The tenderer must also ensure that its annual production and sales capacity can satisfy the intended minimum quantity requirement. Public hospitals must prioritise their drug purchasing from the successful bidder during the procurement cycle, calculated from the execution date of the successful bid result, until the quantity commitment has been satisfied. Once the quantity commitment is satisfied, the excess is still procured at the selected price until the expiration of the procurement cycle.

The National Healthcare Security Administration of China has organised several rounds of volume-based procurement ("**VBP**"). The Group's major product Bei Xi was included in the second round of national VBP with a price cut of approximately 60.0%. In the third round of national VBP organised in August 2020, there are 56 products on the procurement list. Quetiapine fumarate, immediate release was included in the list and the Group's product Seroquel, as the originator, did not win the bidding. Three generic products won the bidding with a price cut of approximately 60.0%. In the fourth round of national VBP in February 2021, there are 45 products on the procurement list. Quetiapine extended release formulation was included in the list and the Group's product Seroquel XR, as the originator, did not win the bidding. Three generic products won the bidding with a price cut of approximately 60.0%. The Group's products were not included in the subsequent four rounds of national VBP.

For the NRDL, a yearly dynamic adjustment has become the new normal. Hundreds of exclusive products have been included in the NRDL by the negotiation with NHSA in the past two years. Lipusu has been included in the 2020 NRDL with a price cut of 67%. In January 2023, Lipusu successfully renewed its inclusion in category B of China's NRDL with its original payment standard. All indications of Lipusu, including non-small cell lungs cancer, ovarian and breast cancer, are reimbursed under the NRDL. In addition, two new indications of Boyounuo were successfully included in the updated NRDL. As of 27 March 2024, Boyounuo has been included in the updated NRDL for all five indications.

Dual-Invoicing System

To optimise the drug purchase and sale order and reduce circulation links, the Circular of the General Office of the State Council on Issuing the Key Tasks in Deepening the Medical and Health System Reform in 2016 (《國務院辦公廳關於印發深化醫藥衛生體制改革2016年重點工作任務的通知》) was issued on 21 April 2016, governments of provinces under the pilot comprehensive medical reform shall promote the "Dual invoicing System". According to the Circular on Issuing the Implementing Opinions on Carrying out the Dual Invoicing System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》), issued by NHFPC, NMPA, NDRC, MOFCOM and other authorities on 26 December 2016, the dual invoicing system will be promoted in pilot provinces involved in the comprehensive medical reform programme and pilot cities for public hospital reform on a priority basis, while other regions are encouraged to implement such system, so that such system can be promoted in full swing nationwide in 2018.

The dual invoicing system is a system under which invoices are issued by drug manufacturers to drug distributors on a one-off basis while invoices are issued by drug distributors to medical institutions on a one-off basis. Wholly-owned or holding commerce companies (only one commerce company shall be allowed throughout the country) that are established by drug manufacturers or group enterprises integrating scientific research, manufacture, and trade to only sell the drugs of these enterprise (groups) and domestic general agents of overseas drugs (only one domestic general agent shall be allowed throughout the country) can be regarded as manufacturers. Within an enterprise that is a drug circulation group, the allocation of drugs between the group and wholly-owned (holding) subsidiaries or between wholly-owned (holding) subsidiaries should not be regarded as invoicing, but invoicing is allowed once at most. For the regions that promote the dual invoicing system for the drug procurement by public medical institutions, drug enterprises participating in the centralised drug procurement shall promise to implement the dual invoicing system in their bids, or the bidding will be invalid; for drugs to be procured otherwise, the relevant requirements on such system shall be expressly specified in the procurement contract.

The above laws and regulations did not have a material negative impact on the Group's results of operations. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's revenue was RMB5,200.2 million, RMB5,981.7 million, RMB6,143.1 million and RMB3,074.6 million respectively. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's recorded a net loss of RMB144.8 million, a net profit of RMB583.3 million, a net profit of RMB539.1 million and a net profit of RMB438.2 million, respectively. For the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2024, the Group's gross profit margin was 65.3%, 69.2%, 68.4% and 67.6%, respectively. However, controls over and adjustments to retail prices of pharmaceutical products, if significant, could have a corresponding impact on the prices at which the Group sells such products to its distributors, and consequently the Group's gross profits and gross profit margins. Please refer to "*Risk Factors — The prices of certain of the Group's products are subject to pricing regulation, competition and other factors and therefore may decrease.*" for further details of risks associated with price controls.

To mitigate the risks associated with potential price control measures imposed on the Group's products and to lessen the potential impact on the Group's business and results of operations, the Group seeks to continue to expand its product portfolio to reduce the Group's reliance on any single product or small group of products. The Group will also continue to monitor and adjust its product portfolio to focus on higher margin products to mitigate the potential impact of future price control measures on the Group's overall profitability.

International Marketing, Promotion, Sales and Distribution

Outside of the PRC, the Group has commercial offices in the U.S., Switzerland, Germany, Japan, Hong Kong, Singapore and Malaysia. The Group has strong sales partnerships with more than 50 partners throughout the world, covering 80 or regions including the U.S, countries in the EU, Japan, ASEAN, Latin America, GCC region and other emerging countries or regions. The Group also has strong sales partnerships with more than 50 partners throughout the world.

In March 2022, the Group has granted Exeltis Pharma Mexico, S.A de C.V and Exeltis Pharmaceuticals Holding, S.L the exclusive rights to commercialise Rivastigmine MD in Mexico and Poland.

In September 2022, the Group has entered a distribution and marketing partnership with ICI Pakistan Limited, a leading manufacturing and trading company based in Pakistan. The Group has granted ICI Pakistan Limited exclusive distribution and marketing rights for Seroquel® in Pakistan.

In February 2024, the Group has entered into an agreement with Myung In Pharm, granting the latter the exclusive rights to commercialise Rivastigmine MD in South Korea.

In-licencing

The Group will continue to explore in-licencing opportunities for third party proprietary products, particularly for products that are complementary to its existing product portfolio, and where the Group can effectively employ its sales and marketing infrastructure and manufacturing capabilities towards successfully commercialising those products.

In April 2019, the Group entered into a licence development and commercialisation agreement with respect to an innovative anticancer drug Lurbinectedin. Pursuant to the terms of this agreement, the Company will have the exclusive rights to develop and commercialise Lurbinectedin for SCLC and all other indications in China. In addition, the Company will also have the right to request the transfer of the technology with respect to manufacturing of Lurbinectedin to the Company in China during the term of this agreement. In March 2022, the NDA of Lurbinectedin has been accepted in Hong Kong. In June 2023, the NDA of Lurbinectedin has been accepted by CDE. In December 2023, Lurbinectedin has been approved by the Hong Kong and Macau for the treatment of adult patients with metastatic SCLC with disease progression upon or after receiving platinum-based chemotherapy.

MERGER AND ACQUISITION AND COLLABORATIONS

In February 2020, the Group completed the acquisition of 98.0% equity interest in Boan Biotech. Boan Biotech is a biotechnology company that develops biopharmaceutical products (including biosimilar and innovative drugs) with a focus on oncology, autoimmune diseases, ophthalmology, and metabolic diseases. Through the strategic acquisition of Boan Biotech, a company with a proven track record in the R&D of biosimilars and innovative drugs, the Group hopes to not only further expand and diversify its pipeline product portfolio, but also further accelerate its growth and penetration in the fast-growing biopharmaceutical sub-segment.

The Group believes that Boan Biotech's portfolio of biosimilar and innovative products is highly complementary to the Group's existing core strengths and such acquisition will assist the Group in maintaining its position as a leading pharmaceutical player in China. In addition, Boan Biotech's novel antibody products have the potential to provide the Group with numerous excellent growth opportunities in the longer term.

In June 2020, the Group completed the acquisition of 100.0% equity interest in Boan Biotech. In February 2021, third parties' investments in Boan Biotech has been completed. Boan Biotech has received approximately RMB877 million from a number of reputable Chinese and international investors, demonstrating their belief in the company's research & innovation strength and their confidence in its future potential. The capital raised will help Boan Biotech accelerate the clinical development of its innovative antibody and biosimilar products, enhancing competitive strengths and facilitating rapid, stable growth. After completion of the third parties' investments, the Group held approximately 74.5% equity interest in Boan Biotech. In December 2022, Boan Biotech, completed its global offering and its shares were listed on the main board of the Hong Kong Stock Exchange on 30 December 2022. As at the date of this Information Memorandum, the Group holds approximately 67.28% equity interest in Boan Biotech.

In October 2020, Boan Biotech has entered into a collaboration and exclusive promotion agreement with Ocumension Therapeutics (Zhejiang) Co., Ltd. (歐康維視(浙江)醫藥有限公司) ("**Ocumension Zhejiang**"), a wholly-owned subsidiary of Ocumension Therapeutics (Stock code: 1477.HK) to jointly develop BA9101, a biosimilar to EYLEA® (Aflibercept), which is in its phase III clinical trial. In addition, Boan Biotech has granted Ocumension Zhejiang the exclusive right to promote and

commercialise BA9101 in the mainland China. Ocumension Zhejiang would pay the upfront payment to Boan Biotech upon signing of the relevant agreement, and would pay milestone payments to Boan Biotech upon achievement of certain development and regulatory milestones. After BA9101 is approved for sale in the mainland China, Ocumension Zhejiang would pay Boan Biotech sales milestone payments and certain royalty based on its annual net sales. In addition, Ocumension Zhejiang would bear all expenses related to the phase III clinical trials of BA9101 in the mainland China.

In February 2021, the Group granted Towa Pharmaceutical Co., Ltd. ("**Towa**") the exclusive right to develop and commercialise a new drug, Rivastigmine MD in Japan. Towa would make an upfront payment to the Group upon signing of the relevant agreement, and would make further payments to the Group upon achievement of certain development, regulatory and sales milestones in relation to Rivastigmine MD. Towa would also make royalty payments on the sales Rivastigmine MD to the Group. In addition, Rivastigmine MD, as a new drug, is expected to enter into phase III clinical trials in Japan and Towa would bear all costs and expenses related to clinical studies and registration purposes in Japan.

In March 2021, the Group has granted Italfarmaco Group ("**Italfarmaco**") the exclusive rights to commercialise Rivastigmine MD in Germany, Italy, Portugal and Greece. Italfarmaco would also have a preferential right to market Rivastigmine MD in Chile and Vietnam. The Group has granted ESTEVE Pharmaceuticals S.A. the exclusive rights to commercialise the Rivastigmin MD in Spain in September 2021. The Group has also granted Zambon Switzerland the exclusive rights to commercialise the Rivastigmine MD in Switzerland in November 2021. Boan Biotech has granted AstraZeneca the exclusive promotion rights of Boyounuo in the county markets of several provinces, cities and autonomous regions in mainland China in May 2021.

In December 2021, the Group has granted Changchun GeneScience Pharmaceutical Co., Ltd. exclusive commercialisation rights of Rivastigmine Transdermal Patches in mainland China.

In January 2023, the Group launched the Named Patient Program in Hong Kong, providing eligible local patients immediate access to the innovative anti-cancer therapy Lurbinectedin. The Group has signed an agreement with Abacus Medicine Pharma Services, the terms of which grant AMPS exclusive distribution rights of the drug for the NPP in Hong Kong.

In January 2023, Boan Biotech signed an agreement with CP Pharmaceutical Qingdao Co., Ltd. to grant the latter the exclusive right to commercialise Boyoubei in mainland China.

In July 2023, the Group and BeiGene, Ltd. officially kicked off a strategic partnership for Baituowei's commercialisation in mainland China.

In January 2024, Boan Biotech have entered into a partnership with Joincare Pharmaceutical Group Industry Co., Ltd. in relation to BA2101. In this partnership, Joincare is granted the exclusive right to develop and commercialise BA2101 in mainland China for treating respiratory diseases such as asthma and chronic obstructive pulmonary disease.

In February 2024, the Group has entered into an agreement with Myung In Pharm, granting the latter the exclusive rights to commercialise Rivastigmine MD in South Korea.

RESEARCH AND DEVELOPMENT

The Group believes its R&D capabilities will be the driving force behind the Group's long-term competitiveness, as well as its future growth and development. The Group's market-driven R&D efforts focus on product candidates that address rapidly growing clinical needs within China's largest and fastest growing therapeutic areas, with a focus on those candidates that have the potential for future commercialisation in global markets. The Group balances clinical development risk by strategically

allocating its resources between proprietary formulations of proven compounds and new chemical entities as well as biosimilars and novel antibodies.

As of 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 Master's degree holders in medical, pharmaceutical and other related areas. As of 30 June 2024, the Group had been granted over 272 patents and had over 66 pending patent applications in the PRC, and had been granted 552 patents and 123 pending patent applications overseas.

Through the Group's four platforms in the chemical drug sector — long-acting and extended-release technology, liposome and targeted drug delivery, transdermal drug delivery systems and new compounds and corresponding R&D capabilities, the Group focuses on R&D projects within the Group's core strength therapeutic areas of oncology, cardiovascular, alimentary tract and metabolism and CNS therapeutic areas. The Group has expanded its R&D capability to the biological sector supported by the four cutting-edge platforms of Boan Biotech, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, ADC Technology and Cell Therapy Platform. As of 30 June 2024, the Group's PRC product candidates include 18 oncology products, 5 CNS products, as well as 4 other products. As of 30 June 2024, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development.

The Group also sources new product candidates through collaborations with overseas pharmaceutical companies, research institutions and universities to further broaden the Group's access to proprietary products and leverage the Group's co-development partners' established R&D platforms, thereby minimising the upfront costs and risks associated with early stage product development.

In addition to the products launched in the past 3 years, the Group has a number of pipeline products under NDA review in different markets as of 27 March 2024. Among them, LY01017, LY021702, LY03010, LY03003 and BA1102 under NDA review in Chinese Mainland as well as LY03010 during NDA stage in the U.S. In addition, the Group also have over 10 pipeline products (e.g. LY03005, LY30410, LY021701, BA5101, BA9101, BA6101, BA1102 and BA1104) under phase 3 clinical trials, pivotal studies or NDA/BLA preparing stage in different markets. In January 2022, the Group's monthly microspheres injection LY03009 ("**LY03009**") has been approved to initiate clinical trial in the U.S. LY03009 is indicated for the treatment of Parkinson's disease and restless legs syndrome. It has been developed on the Group's long-acting and extended release technology platform. LY03009 is a microspheres injection for once-monthly dosing, which can maintain a stable drug level in blood plasma during the target dosing intervals. It possesses the benefit of continuous dopaminergic stimulation, which can delay and treat motor complications and delay introduction of levodopa in the treatment of Parkinson's disease. The maintenance of an effective drug level overnight is expected to improve nocturnal symptoms control and the drug's wake-promotion function. The one-month target dosing interval can reduce administration frequency, simplify treatment regimen, and thus contribute to the improvement of treatment compliance and clinical outcomes.

In January 2022, the marketing authorisation application for the Group's analgesic product under development, oxycodone and naloxone extended-release tablets ("**LY021702**"), has been accepted by CDE of the NMPA in China. LY021702 is the first oxycodone and naloxone extended release tablet product that has high technical barriers developed by a Chinese company. It consists of oxycodone hydrochloride, a strong opioid receptor agonist, and naloxone hydrochloride, an opioid antagonist, for the treatment of moderate to severe chronic pain that cannot be effectively controlled by non-opioids, with pain relief lasting up to 12 hours. It has a deterrent feature regarding opioid abuse and can relieve gastrointestinal adverse effects such as opioid-induced constipation.

In March 2022, the Group has submitted NDA for Lurbinectedin ("**LY01017**") for injection, a product of the Group licensed in from Pharma Mar, S.A. ("**PharmaMar**") in Hong Kong, for the treatment of adult patients with metastatic small cell lung cancer ("**SCLC**") with disease progression on or after receiving

platinum-based chemotherapy. In June 2022, the preliminary results from a phase I clinical trial of Lurbinectedin as second-line therapy in Chinese patients with SCLC were presented at the 2022 annual meeting of the American Society of Clinical Oncology in the form of an academic poster. The main results of the study are as follows: (1) Lurbinectedin at the recommended dosage (3.2mg/m^2, intravenous injection within one hour, administered once every three weeks) showed promising efficacy as second-line therapy in Chinese patients with SCLC. It was confirmed by an independent review committee (IRC) that the overall response rate (ORR) was 45.5% in all the subjects and over 30% in those with resistant SCLC, and the median progression-free-survival (PFS) was 6.6 months. (2) Lurbinectedin demonstrated acceptable tolerability and a manageable safety profile. In July 2022, LY01017 has been approved by the Hainan Medical Products Administration for import to specific medical institutions in Hainan Boao Lecheng International Medical Tourism Pilot Zone for urgent clinical use. To date, Lurbinectedin has received the accelerated approval in the U.S., and provisional marketing approval in Australia, the United Arab Emirates, Canada, Singapore and Qatar. In 2019, the Group was exclusively licensed by PharmaMar to develop and commercialise Lurbinectedin in China, covering all indications including SCLC. In April 2023, Lurbinectedin for injection has been recommended for the first time by the 2023 Chinese Society of Clinical Oncology Guidelines for Small Cell Lung Cancer. In June 2023, Lurbinectedin for injection has been accepted by the CDE of the NMPA for the treatment of adult patients with metastatic SCLC with disease progression on or after receiving platinum-based chemotherapy.

In March 2022, the Class 1 new chemical entity product LY03005 ("**LY03005**") under development by the Group has been approved by the CDE in China to initiate phase III clinical trial for the treatment of generalised anxiety disorder. LY03005 is a new chemical entity therapeutic drug with a new mechanism of action. It is a serotonin (5-HT), norepinephrine (NE) and dopamine (DA) reuptake inhibitor (SNDRI/TRI). The approved clinical trial is a phase III clinical study evaluating the efficacy and safety of LY03005 on patients with generalised anxiety disorder. Previously, LY03005 has completed Phase I to Phase III clinical trials for the treatment of depressive disorder in China, and its marketing authorisation application has been accepted by CDE in June 2021. In June 2022, the results from a phase III clinical trial of LY03005 were presented at the 2022 annual meeting of the APA. In November 2022, LY03005 has been approved by NMPA for treating MDD. As far as the Company is aware, the product is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. The launch of this product is a breakthrough for innovative drugs developed locally in China in this field.

In April 2022, the marketing authorisation application for the CNS product Rivastigmine Twice-Weekly Transdermal Patch developed by the Group has been accepted by CDE in China. The product is indicated for the treatment of mild to moderate dementia associated with Alzheimer's disease. Rivastigmine Twice-Weekly Transdermal Patch requires lower frequency of application than the Rivastigmine Single-Day Transdermal Patch generally available in the market, enabling it to improve patients' medication adherence. Due to its transdermal route of administration, Rivastigmine Twice-Weekly Transdermal Patch is convenient for patients who have difficulty in swallowing, and it reduce the incidence of gastrointestinal adverse reactions such as nausea and vomiting compared with the oral form. The product has received marketing authorisation for several European countries in 2021. In order to promote the product for the benefit of more Chinese patients, the Group and GENSCI entered into an agreement in December 2021 to grant GENSCI the commercialisation rights of Rivastigmine Twice-Weekly Transdermal Patch and other products in mainland China.

In May 2022, Class 1 new drug LPM3480392 injection ("**LY03014**") developed by the Group has completed phase I clinical trial in China. LY03014 is a small molecule Gi protein biased at mu-opioid receptor agonist, and is indicated for the treatment of moderate to severe acute postoperative pain and breakthrough cancer pain. In November 2022, the first patient has been dosed in a phase II clinical study for LY03014 in China.

In July 2022, the phase III clinical trial of the Group's new drug, Rotigotine Extended-Release Microspheres for injection ("**LY03003**"), in Parkinson's disease has met expected endpoints in China.

LY03003 delivers medication by weekly intramuscular injection. This is the first product worldwide to produce long-term Continuous Dopamine Stimulation. It is expected to improve the patients' symptoms throughout the day and quality of life. The stable release of the drug in the human body can improve the motor and non-motor symptoms in patients with early and advanced stage of Parkinson's disease, reduce the "on-off" phenomenon and motor complications in patients with Parkinson's disease. It is expected that long-term application of the drug will delay the development of motor complications.

In July 2022, the phase III clinical trial of the Group's new drug, Goserelin Acetate Extended-release Microspheres for Injection ("**LY01005**") for the treatment of breast cancer has met expected endpoints in China. LY01005 is the Group's monthly extended release microspheres for intramuscular formulation of goserelin acetate, a gonadotropin-releasing hormone agonist, developed under the Group's microspheres technology platform. As far as the Company is aware, the only dosage form of goserelin currently on the market is a subcutaneous implant. LY01005 can effectively reduce the adverse reactions at the injection site by applying the innovative microsphere technology, improve patient experience for its usage, reduce nursing difficulty and improve the patient's tolerance and compliance. Currently, the new drug application for LY01005 for prostate cancer indication is under review in China. In August 2022, the new drug application for LY01005 for the treatment of breast cancer has been accepted by CDE in China.

In September 2022, the Group's new CNS drug LY03015 ("**LY03015**") has obtained the approval from the FDA to initiate clinical trials. LY03015 is an innovative small molecule compound product developed by the Group indicated for the treatment of tardive dyskinesia ("**TD**") and Huntington's disease ("**HD**"). As a new generation of vesicular monoamine transporter 2 inhibitor, LY03015 can reduce the symptoms of TD and HD by inhibiting the release of presynaptic dopamine ("**DA**"), preventing the stimulation of supersensitive D2 receptors by DA without blocking D2 receptors in the postsynaptic membrane. The results of preclinical studies indicate that LY03015 can reduce the risk of depression and suicide caused by off-target effects; it presents a favourable prolonged half-life and tissue distribution characteristics, enabling it to achieve once-a-day oral administration and reduce the risk of cardiac QT interval prolongation compared to commercially available products. Its related research has been published in "European Journal of Medicinal Chemistry".

In November 2022, the pivotal study conducted in the U.S. in respect of the Group's new product candidate for the treatment of schizophrenia and schizoaffective disorders, Paliperidone Palmitate Extended-release Injectable Suspension ("**LY03010**"), for intramuscular use, has achieved the end points based on the completed data analysis. LY03010 will submit NDA to the FDA through 505(b)(2) pathway. In February 2023, LY03010 has received the approval by the competent authorities to initiate the first clinical trial in Europe.

In December 2022, the marketing application of Paliperidone Palmitate Injection has been accepted by CDE in China for the acute and maintenance treatment of schizophrenia. Paliperidone Palmitate Injection is a long-acting paliperidone injection, with a monthly dosing regimen. Paliperidone is a second-generation antipsychotic that relieves psychotic positive symptoms while improving cognitive and emotional symptoms and is the first-line treatment for schizophrenia. Paliperidone is available in both oral and long-acting injection formulation. Compared with oral formulation, long-acting injections have the characteristics of less frequent administration and long-term stable effective plasma concentration, thereby improving patient compliance, significantly reducing the risk of recurrence in long-term treatment, and improving patients' long-term benefits.

In January 2023, Rykindo® (risperidone for extended-release injectable suspension) (also known as, LY03004) has received marketing approval from FDA as a treatment for schizophrenia in adults and as monotherapy or as adjunctive therapy to lithium or valproate for the maintenance treatment of bipolar I disorder in adults. As far as the Company is aware, Rykindo® is the first FDA approved complex dosage form product developed by a pharmaceutical company in mainland China in accordance with 505(b)(2) of the Federal Food, Drug and Cosmetic Act. In addition to the U.S. market, Rykindo® was approved for

marketing in China in 2021. The development of Rykindo® in Europe is also progressing well, with a plan to be marketed in the global market.

In January 2023, the long-acting 3-month dosing form of Goserelin Acetate Extended-release Microspheres for Injection ("**LY01022**"), an innovative anti-tumour formulation developed by the Group, has obtained the approval from the CDE to initiate clinical trials. Compared with formulations administered monthly, LY01022 prolongs the dosing cycle and reduces the frequency of injections, which can further improve the patient's compliance.

Set out below is the R&D progress of Boan Biotech:

In February 2022, two new indications of Boyounuo developed by Boan Biotech has been approved by NMPA for the treatment of epithelial ovarian, fallopian tube or primary peritoneal cancer, and cervical cancer.

In July 2022, the dulaglutide injection ("**BA5101**") developed by Boan Biotech entered into phase III clinical trial (comparative clinical efficacy and safety studies) in China. As a biosimilar to Trulicity®, BA5101 is indicated for glycemic control in adults with type 2 diabetes mellitus.

In September 2022, BA1106, an innovative antibody developed by Boan Biotech, has obtained the approval from the CDE to initiate clinical trials. BA1106 is the first investigational anti-CD25 antibody to start clinical trials in China for treating solid tumours. Anti-CD25 antibodies are broad-spectrum immuno-oncology drugs with the potential to treat multiple cancers where CD25 is highly expressed, including cervical cancer, renal cancer, ovarian cancer, melanoma, pancreatic cancers, hepatocellular carcinoma, gastric cancer, and breast cancer. BA1106 therefore has great potential for treating those cancers. However, developing anti-CD25 antibodies faces two major challenges: first, the function of Fc as a mediator is limited, and as a result, they only work in early-stage tumour models, not in late-stage tumour models; second, the IL-2 signalling pathway is blocked, leading to poor antitumor outcomes. BA1106 is a drug candidate that can successfully overcome these two challenges.

In October 2022, the BA2101 injection, a long-acting monoclonal antibody developed by Boan Biotech, has obtained the approval from CDE to initiate clinical trials. BA2101 injection is an innovative, long-acting human monoclonal antibody in IgG4 subtype that targets interleukin-4 receptor subunitα(IL-4Rα). BA2101 injection will be administered subcutaneously with an expected dosing interval of 4 weeks. BA2101 injection can inhibit IL-4 and IL-13 signalling, regulate Th2 inflammatory pathway, reduce eosinophils and circulating IgE level, and treat allergic diseases caused by type 2 inflammation. It is expected to be used to treat atopic dermatitis, asthma, chronic rhinosinusitis with nasal polyposis, prurigo nodularis, and chronic spontaneous urticarial.

In November 2022, the marketing authorisation in relation to Denosumab Injection (Boyoubei®, BA6101) developed by Boan Biotech has been approved by NMPA for the treatment of postmenopausal women with osteoporosis at high risk for fracture. This product can significantly reduce the risk of vertebral, non-vertebral and hip fractures in postmenopausal women. Boyoubei® is the first biosimilar to Prolia® (the originator of denosumab) approved for marketing in the world. In addition to China, Boyoubei® is being developed in Europe and the U.S., with a plan to be marketed in the global markets.

In January 2023, BA1301 for injection, an ADC candidate developed by Boan Biotech, has obtained the approval from CDE to initiate clinical trials for the treatment of advanced solid tumours with Claudin 18.2 expression. BA1301 for injection is Boan Biotech's first novel ADC candidate that targets Claudin 18.2. It employs a site-specific conjugation technology to connect the cytotoxic payload with a monoclonal antibody that targets Claudin 18.2. This enables the cytotoxic payload to be directed to the tumour site through the targeting characteristics of the antibody. Such design reduces the toxic side effects of the cytotoxic payload, thus improving the therapeutic window, while retaining its tumour-killing effect.

In March 2023, Aflibercept Intravitreous Injection ("**BA9101**") developed by Boan Biotech has completed the patient enrollment for its phase 3 clinical study (a comparative clinical study of efficacy and safety) in China. Pursuant to a collaboration and exclusive promotion agreement entered in October 2020, Boan Biotech has partnered with Ocumension Therapeutics, in conducting the phase 3 clinical study of BA9101 and has granted Ocumension Therapeutics an exclusive right to promote and commercialise BA9101 in mainland China.

In March 2023, the denosumab monoclonal antibody injection ("**BA1102**") developed by Boan Biotech has been accepted by CDE. BA1102 is a biosimilar of XGEVA. Its active ingredient is denosumab, a fully human IgG2 anti-RANKL monoclonal antibody. Denosumab binds to RANKL and it inhibits the activation of OPG/RANKL/RANK signalling pathways, and thus inhibits tumour growth and reduces bone destruction. BA1102 is indicated for the treatment of patients with bone metastases from solid tumours and patients with multiple myeloma, to delay or reduce the risk of skeletal-related events (e.g. pathologic fractures, spinal cord compression, bone radiotherapy or bone surgery). The drug is also indicated for the treatment of adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight of 45 kg or above) with giant cell tumour of bone that is unresectable or where surgical resection is likely to result in severe morbidity.

The Group's Internal Research and Development

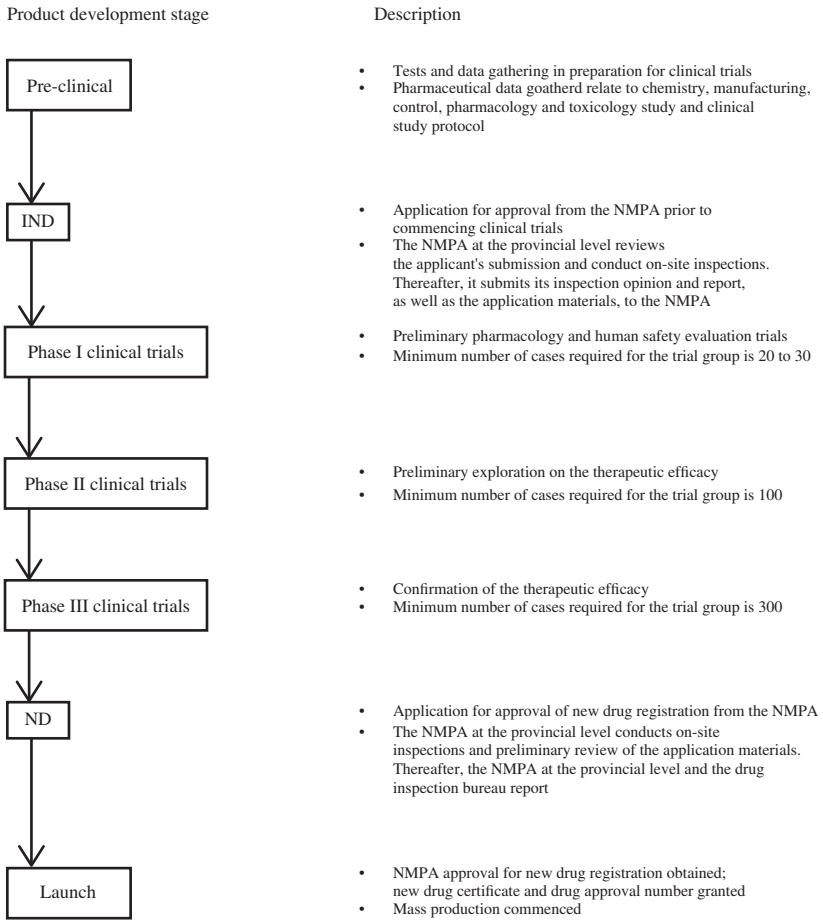
The Group focuses on R&D projects within oncology, cardiovascular system, alimentary tract and metabolism, as well as CNS. As of 30 June 2024, the Group's R&D team consisted of 720 employees, including 66 Ph.D. degree holders and 351 Master's degree holders in medical, pharmaceutical and other related areas. The Group's R&D personnel conduct drug discovery, formulation development, process development, analysis, pre-clinical studies, clinical studies, registration and intellectual property management. In addition, the Group's R&D teams undertake projects to improve its manufacturing activities.

Each of the Group's drug development programmes is subject to the approval of an evaluation committee that consists of the vice president of the Group's R&D team and additional internal and external experts. The evaluation committee reviews feasibility studies on product candidates and makes final decisions on whether to carry out a new drug development programme. The Group carefully selects drug development programmes by balancing the commercial potential of the drug and its likelihood of successful development, and its potential competition and market size. If a drug development programme is approved by the Group's evaluation committee, it is assigned a project code and a project manager who, in turn, determines the research team members. The project manager is responsible for implementing the programme, including the coordination of the various professional departments involved, such as the Group's pharmacology, toxicology, clinical, product registration, intellectual property and quality management departments. The Group also conducts periodic reviews of its ongoing drug development programmes and may elect to discontinue programmes that are not making satisfactory progress.

The Group's R&D activities are organised around four platforms in the chemical drug sector: long-acting and extended release technology, liposome and targeted drug delivery technology, transdermal drug delivery systems and new compounds. The Group has expanded its R&D capability to the biological sector supported by the four cutting-edge platforms of Boan Biotech, namely Human Antibody Transgenic Mouse and Phage Display Technology, Bispecific T-cell Engager Technology, ADC Technology and Cell Therapy Platform.

The Group's Products under Development

The Group's product development process from R&D to commercial launch typically involves the following milestone stages:



As of 30 June 2024, the Group had a pipeline of 27 PRC product candidates in various stages of development. These candidates included 18 oncology products, 5 CNS products, as well as 4 other products.

International Research and Development

As of 30 June 2024, the Group had 11 pipeline product candidates in the U.S., Europe and Japan in various stages of development. For overseas market product candidates, the Group will seek to maximise the potential value of the Group's product candidates by pursuing flexible development, partnership and commercialisation strategies tailored to the target market. For example, in developed markets the Group may seek co-development partners for the Group's product candidates. The Group has historically maintained on-going relationships with a number of overseas pharmaceutical companies, including Towa in Japan, in the development of new product candidates.

The Group believes it is one of the first Chinese pharmaceutical manufacturers to conduct clinical trials in international markets, including the U.S.

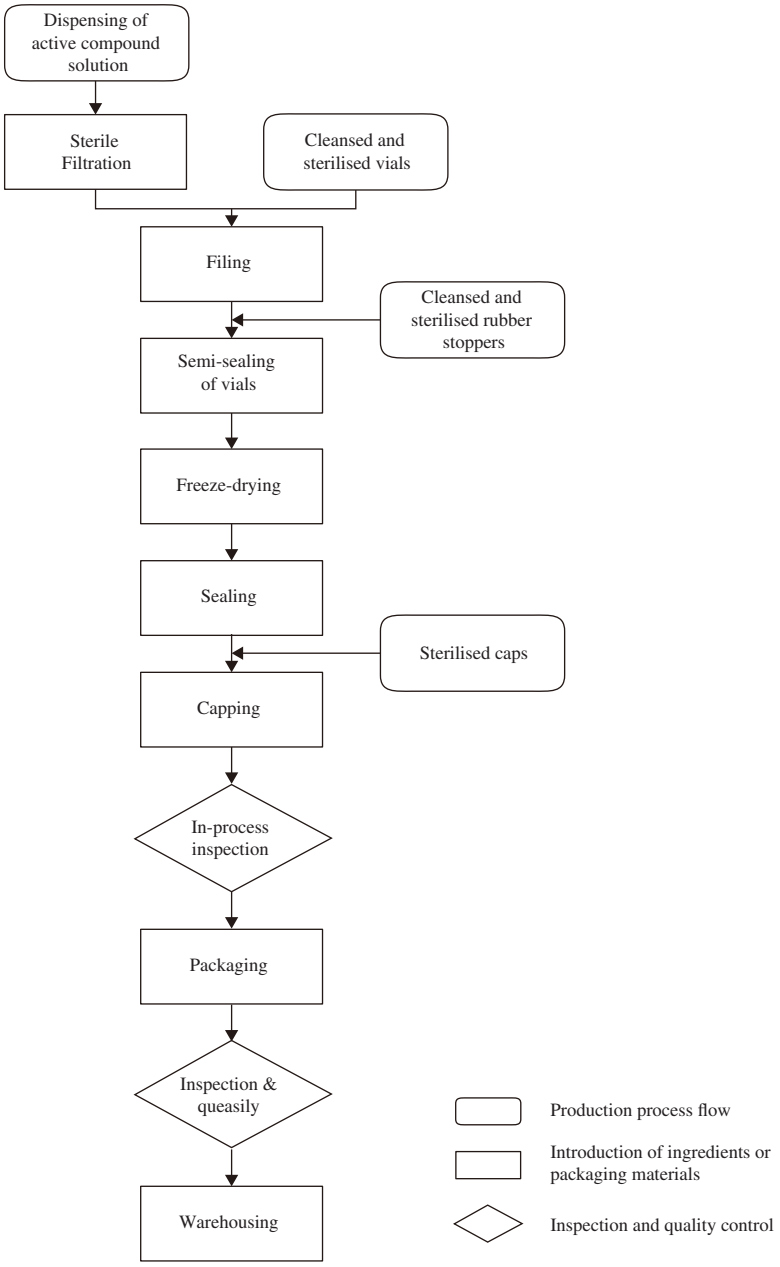
PRODUCTION

Production Process

The Group has obtained the Good Manufacturing Practices for Pharmaceutical Products ("**GMP**") certification for the production of the Group's products in all production lines, including injections, tablets, powders, granules, capsules, gels, liquids, active pharmaceutical ingredients and herbal extracts. The production processes used in the manufacture of the Group's key products are set forth below.

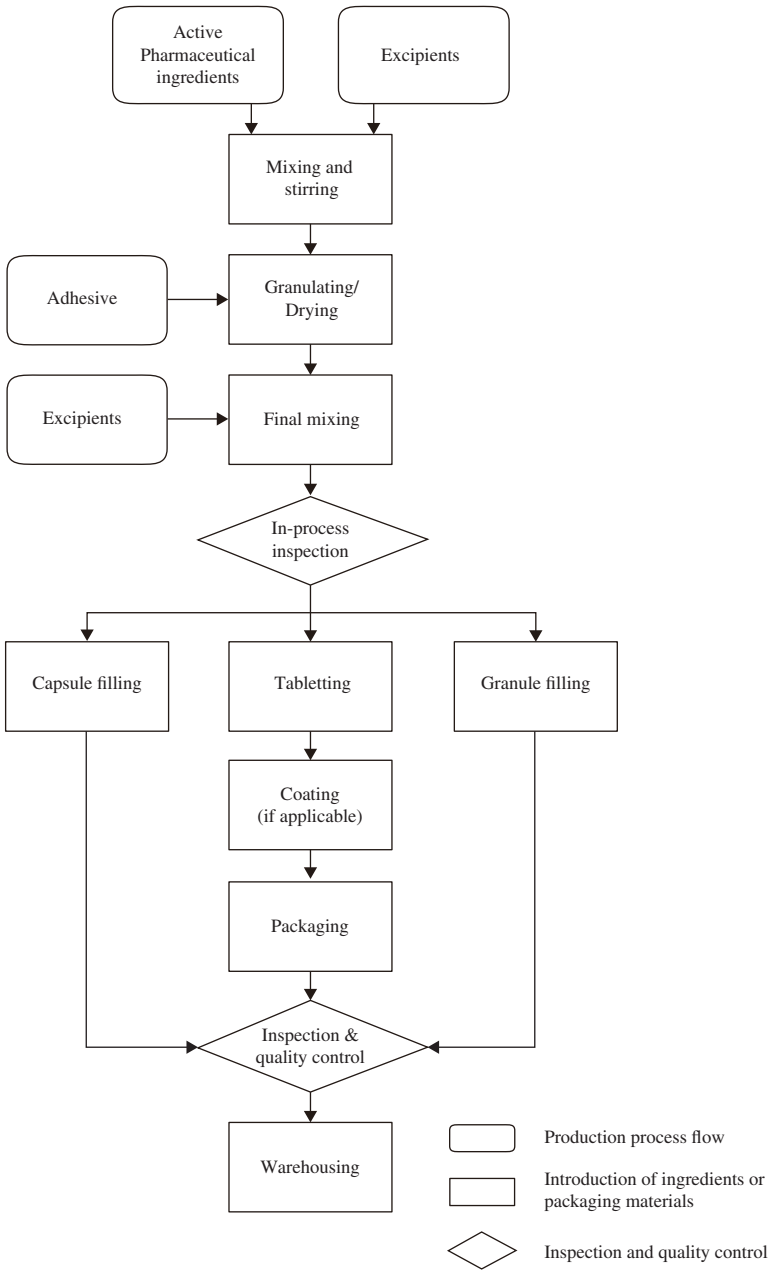
Production Process for Lyophilised Powder Injection

The following diagram summarises the production process for lyophilised powder injection. The Group's key products manufactured pursuant to the process below are Lipusu, Tiandixin, CMNa, Maitongna and Lutingnuo.



Production Process for Tablets, Capsules and Granules

The following diagram summarises the production process for tablets, capsules and granules. The Group's key products manufactured pursuant to the process below are Xuezhikang and Bei Xi.



The Group's Production Facilities

The Group's production activities are currently carried out in Yantai, Shandong Province, Nanjing, Jiangsu Province, Beijing, Luzhou, Sichuan Province and Germany. As of 30 June 2024, the Group operated around 30 production lines at its facilities, which produced lyophilised powder injections, powder injections, small volume liquid injections and lyophilised powder injections, oral medications including capsules, tablets and granules and liquids, gels and active pharmaceutical ingredients. The Group owns all of its production facilities and production lines. The Group has obtained drug production licences for all its production facilities, GMP certifications for all its production lines and manufacturing permits for all its products. The Group conducts regular maintenance and repair work in compliance with GMP certifications.

Suppliers and Raw Materials

The Group's suppliers include suppliers of active pharmaceutical ingredients and raw materials, its subcontracting manufacturers and the manufacturer for the Group's in-licenced product. Purchases from the Group's five largest suppliers accounted for approximately 27.5% of the total purchase for the year ended 31 December 2023 and purchase from the Group's largest supplier included therein amounted to 12.2% of the total purchase for the year.

The raw materials required for the production of the Group's pharmaceutical products are generally readily available in the market through many suppliers. The Group believes it has alternative sources for its principal raw materials that can provide it with substitutes with comparable quality and prices. The Group has not experienced significant difficulties in maintaining reliable sources of supplies and expects to be able to maintain adequate sources of quality supplies in the future. The Group generally enters into short term supply agreements with its raw material suppliers. The purchase price of its raw materials is primarily based on the prevailing market prices for raw materials of similar quality. The Group generally contracts with more than one supplier for each major type of raw material. The Group believes short term agreements with raw material suppliers provide it with the flexibility to re-negotiate prices when there are fluctuations in the Group's raw material prices.

Certain of the Group's raw materials are imported from overseas suppliers. The import of these raw materials requires import drug licences. The Group has adopted a number of measures that the Group believes are adequate to prevent shortage of glutathione in the event there is any delay in the NMPA approval process, including accumulating additional inventory prior to the expiration of the licence and selecting an alternative domestic supplier.

Quality Management

The Group believes that an effective quality management system is critical to ensure the quality of the Group's products and maintaining its reputation and success. The Group is required to adhere to the quality standards specified under its GMP certificate in China, and certain of the Group's products and production lines have also obtained EU GMP certification. The Group has been granted ISO9001:2015 and ISO14001:2015 certificates for its quality management system and has received recognition from China National Accreditation Service for Conformity Assessment for the Group's quality control laboratory.

The Group has established a systematic quality management system and standard operating procedures for its quality control and assurance functions. The Group's quality management department consists of quality assurance division and quality control division led by quality managers. The quality assurance division is responsible for developing and implementing quality assurance plans, drug production standards, and quality management standards, to ensure that the quality of the production process meets relevant regulations and standards. The quality control division is responsible for developing and implementing drug quality control plans, inspection standards, and inspection methods, to ensure that the quality of drugs meets standards and regulations. It is also responsible for reviewing the documents relating to the GMP pharmaceutical quality management system, ensuring that production management and quality control activities are complied with relevant laws and regulations for pharmaceutical product, while other functional departments are in charge of cooperating and participating in drug quality management. Each of the Group's production facilities has an integrated quality management team independent from the production team led by the general manager of the facility. The Group also conducts regular training so that its dedicated quality managers understand the regulatory requirements applicable to the Group's operation of the production facilities. New employees at the Group's production facilities receive training pertinent to their job duties, which cover topics such as pharmaceutical regulations, microbiological science, production safety knowledge, requirements under GMP certification, as well as procedures and protocols relating to quality control.

In order to satisfy requirements under GMP certification, the Group has established a systematic documentation system on quality management, which the Group believes helps the Group minimise risks of potential quality issues. The Group undertakes quality inspections and documents its quality control procedures at different stages of its production process from the procurement of raw materials to delivery of the Group's products to its customers. The key aspects of the Group's quality control procedures are as follows:

Active Pharmaceutical Ingredient and Raw Material Quality Control

The Group purchases active pharmaceutical ingredients and raw materials only from approved suppliers. All approved suppliers are selected by the Group's quality assurance division, which conducts background checks on supplier candidates. Upon receiving satisfactory results of the checks, the Group orders samples from the potential supplier to be inspected. The Group's quality control division inspects the quality of each batch of supplies for consistency.

The Group's quality management department examines its incoming active pharmaceutical ingredients and raw materials before sampling to confirm they are supplied from approved suppliers. The Group's warehousing personnel also inspect and verify the active pharmaceutical ingredients and raw materials by cross-checking the packaging information. Incoming active pharmaceutical ingredients and raw materials are stored in quarantined areas upon receipt until they are released for use following inspection. The quality management department subsequently selects samples for testing. The Group's warehousing personnel despatches active pharmaceutical ingredients and raw materials for use in its production processes that have passed the quality control tests. The Group adopts "first-in-first-out" and "first-expire-first-out" rules in its despatch process.

The Group has established a supply chain traceability system. Incoming active pharmaceutical ingredients and raw materials are required to have certificate of analysis from the Group's manufacturers, as well as delivery sheets and purchase orders. The Group also assesses its suppliers by carrying out on-site audits or off-site information assessment to ensure it complies with the relevant GMP requirements.

Production In-process Quality Control

The Group's quality assurance division is responsible for verifying that the Group's manufacturing processes continuously accord with GMP standards. The Group requires its production operators to adhere to standard operating and equipment operation procedures and the quality assurance division regularly inspects its production processes on-site. After completion of each production process, the Group performs cleaning procedures to prevent contamination or cross contamination, and the quality control division verifies that the production line has been properly cleaned before the Group proceeds to the next production process. All of the Group's cleaning procedures have been tested before their implementation.

The Group's quality control division conducts sample testing on certain in-process products and semi-finished products at particular stages of production as required by approved procedures.

Final Product Quality Control

Each batch of the Group's products is subject to a sample inspection by the quality control division. Before the Group delivers its final products to customers, the quality assurance division inspects the documentation relating to the quality of a product, including its batch records, laboratory control records, production process records and other information that may impact product quality. Authorised quality personnel conduct final review on all documents and make the final decision as to whether a specific product can be released for sale. Final products that do not meet the Group's quality standards are

destroyed or otherwise disposed of based on the judgements of the Group's authorised quality personnel. Only final products that have passed all testing requirements can be released and sold to the market.

After-sales Service

The Group's quality assurance division verifies the transportation processes for the Group's products annually. The Group tests transportation conditions to ensure the transportation methods comply with storage and transportation requirements. The Group's quality assurance division also receives feedback from the Group's distributors, hospitals, other medical institutions and end-users and handles any complaints with regard to the quality of the Group's products. Quality complaints, both verbal and written, are documented and investigated pursuant to standard procedures. The Group has dedicated personnel who take compliant calls and regularly review and analyse the feedback received. The Group treats such feedback and complaints seriously. Upon receipt of a complaint, the Group conducts investigations and ensure necessary measures are taken. The Group has established product recall procedures and prescribed recall guidelines and processes, which specify a responsible person to notify upon a recall and the handling procedure of recalled products. The Group carries out mock recall procedures once a year to ensure that its recall procedures are effective.

Inventory Management

The Group's inventory primarily consists of finished products and production materials, including raw materials, active pharmaceutical ingredients, excipients and other packaging materials. The Group has established an inventory management system that monitors each stage of the warehousing process. Warehousing personnel are responsible for receiving inspection, warehousing, storage and distribution of production materials and finished products. All materials and products are stored in different areas in warehouse according to their storage condition requirement, properties, usage and batch number. Warehousing personnel regularly check to ensure consistency among the raw material or product, logbook and material card.

INTELLECTUAL PROPERTY RIGHTS

As of 30 June 2024, the Group had been granted over 272 patents and had over 66 pending patent applications in the PRC, and had been granted 552 patents and 123 pending patent applications overseas.

The Group relies on intellectual property rights to protect its technologies, inventions and improvements that the Group believes are important to maintain the market share of its products. A substantial portion of the Group's products have intellectual property rights relating principally to their delivery systems, compositions, preparation methods or production processes.

In order to protect the Group's own intellectual property rights, the Group enters into confidentiality agreements with the Group's research employees that provide that all relevant intellectual properties developed by the Group's research staff during their employment with the Group become the Group's intellectual properties and are treated as trade secrets. The Group's employees are required to refrain from disclosing trade secrets to any third party. Additionally, the Group also follows procedures to ensure that the Group does not infringe on the intellectual property rights of others and the Group is not engaged in the sale of counterfeit pharmaceutical products.

The Group is still subject to risks relating to intellectual property rights. Please refer to "*Risk Factors — If the Group becomes subject to intellectual property infringement claims, it could divert the Group's management's attention, impair the Group's ability to sell its products and expose the Group to costs and liabilities.*" for further details of risks relating to intellectual property rights.

COMPETITION

The pharmaceutical market in China is highly competitive and is characterised by a number of established, large pharmaceutical companies, as well as some smaller emerging pharmaceutical companies. The Group faces competition from other pharmaceutical companies engaged in the research, development, production, marketing or sales of innovative pharmaceutical products.

The Group's products primarily compete with products that are indicated for similar conditions as the Group's products on the basis of efficiency, price and general market acceptance by doctors and hospitals. The identities of the Group's key competitors vary by product and, in certain cases, the Group's competitors may have greater financial and R&D resources than the Group, may elect to focus those resources on developing, importing or in-licencing and marketing products in the PRC that are substitutes for the Group's products and may have broader sales and marketing infrastructure with which to do so.

The Group believes that it competes primarily on the basis of brand recognition, R&D capabilities, promotion activities, sales network, product efficacy, safety, reliability and price. The Group believes its continued success will depend on its following capabilities: the capability to develop innovative products and advanced technologies; the capability to apply technologies to all production lines; the capability to develop an extensive product portfolio; the capability to maintain a highly efficient operational model; the capability to attract and retain talented technology development personnel; the capability to maintain high quality standards; the capability to obtain and maintain regulatory approvals; and the capability to effectively market and promote products.

RISK MANAGEMENT

The Group believes it has established a sound corporate governance system and has implemented policies and procedures to manage its operational risks. In particular, the Group has have implemented the Code of Conduct for Employees (《員工行為準則》), the Anti-Corruption Compliance Policy (《反腐敗合規政策》) and the (International) Third Party Due Diligence Process (《(國際)第三方盡職調查流程》) and other internal policies, which set out requirements and guidelines on employee integrity and self-discipline, supervision mechanism and non-compliance handling procedures. The Group explicitly prohibits its employees from giving or providing any valuable gifts directly or indirectly to any health care professional, government official or any business partner for the purpose of obtaining or retaining business advantages improperly, nor asking for or receiving any improper payment. For third party business partners who cooperate with us, the employees of the Group shall take reasonable care to ensure that such third parties conduct their business in a manner that is ethical and in accordance with the terms applicable under the Group's anti-corruption compliance policy.

In order to comply with relevant laws and regulations and promote ethics, the Group has implemented a series of measures in the process of drug promotion. First, the Group ensures strict compliance with the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and industry standards in the Group's promotional activities, and have formulated and implemented the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《綠葉製藥集團藥品推廣行為準則》) (the "**Code of Conduct**"), providing all employees with behavioural standards and ethical guidelines for drug promotion and sales to avoid non-compliant behaviour. The Code of Conduct is the basic guideline followed by the Group in drug promotion, ensuring the compliance and professional ethics of the drug promotion activities for the Group. In addition to the aforementioned prohibition on providing inappropriate promotional gifts or services to non-healthcare professionals and other stakeholders, the Code of Conduct also specifies certain aspects that employees need to pay attention to in the promotion process. For example, employees need to ensure the truthfulness, accuracy, and completeness of the information provided in drug promotion, and shall not intentionally mislead or conceal the truth. At the same time, when using promotional funds, employees must comply with the Group's financial management system and relevant laws and regulations, and shall not engage in any

irregular behaviour. The Code of Conduct also specifies matters that employees need to pay attention to during academic exchanges with healthcare professionals, including not using the opportunity to promote drugs to healthcare professionals, not influencing the prescription rights of healthcare professionals in any way, and maintaining the truthfulness and objectivity of academic exchanges, without any false advertising or misleading behaviour.

The Group believes these measures allow the Group's employees who interact with distributors, third party promoters and KOLs to become well versed with the relevant requirements to ensure more effective management of anti-bribery compliance. The Group seeks to ensure that its employees comply with the relevant requirements under the internal regulations and policies including the Code of Conduct by requiring its management to routinely monitor the Group's employees and to provide guidance on compliance requirements. The Group's employee handbook contains whistleblower provisions that require its employees to report suspected bribery activities to the Group's human resources and auditing departments. The Group also seeks to ensure its anti-bribery regulations and policies, including its contractual requirements on anti-bribery compliance contained in distribution and promotion agreements, are communicated and emphasised to the Group's distributors, third party promoters and KOLs. The Group conducts visits to its distributors and hospitals and other medical institutions covered by the Group's third party promoters from time to time, which assists the Group in monitoring their compliance with anti-bribery requirements.

In addition, the Group has formed an audit committee as part of its measures to improve corporate governance. The primary duties of the audit committees are to provide the Company's Directors with an independent review of the adequacy and effectiveness of the financial reporting system, internal control system and risk management system of the Group, to review and monitor the effectiveness of the audit process and to consider such other matters as the board of Directors of the Company may from time to time determine. The Group's audit committee is chaired by Mr. Leung Man Kit, who has over 30 years of experience in project finance and corporate finance and has held directorships in a number of listed companies. The Group plans to continue strengthening its risk management policies, including anti-bribery compliances, by ensuring regular management reviews of the relevant corporate governance measures and the implementation by each subsidiary and the corresponding departments.

LEGAL PROCEEDINGS

The Group may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of the Group's business.

On 21 October 2021, the Group received an arbitration award in favour of the former distributor of Seroquel for its claim against Luye Pharma Hong Kong Limited, a subsidiary of the Company. In December 2021, the final amount of the arbitration award was determined to be approximately RMB253.2 million and the Company has accordingly made a provision in its financial statements. Luye Pharma Hong Kong Limited applied to the High Court of Hong Kong for the revocation of such award, and the decision was handed down that Luye Hong Kong's application for setting aside the award was dismissed ("**Setting Aside Decision**"). Subsequently, Luye Hong Kong applied for and was granted leave to appeal against the Setting Aside Decision. During the period, an additional provision of RMB7,277,000 was provided for the interest charged on the claim amount See also "*Risk Factors — If the Group becomes a party to litigation, legal disputes, claims or administrative proceedings, it may divert the Group's management's attention and result in costs and liabilities.*".

Except as disclosed in this Information Memorandum, as of the date of this Information Memorandum, there are no pending actions, suits or proceedings against or affecting the Company or any member of the Group or any of its respective properties, which if determined adversely to the Company or any member of the Group would individually or in the aggregate have a material adverse effect and, to the best of the Company's knowledge (after due and careful enquiry), no such actions, suits or proceedings are threatened or contemplated.

EMPLOYEES

As of 31 December 2023, the Group employed a total of 5,270 employees. For the year ended 31 December 2023, the staff costs, (including Directors' emoluments but excluding any contributions to pension scheme), were approximately RMB839.1 million. The objective of the Group's remuneration policy is to motivate and retain talented employees to achieve the Group's long term corporate goals and objectives.

INSURANCE

The Group maintains property insurance covering the Group's production facilities and equipment that the Group believes is sufficient in accordance with customary industry practice, as well as social welfare insurance in accordance with the relevant laws and regulations in the PRC. The Group does not carry business interruption insurance, which is not mandatory under PRC law. Please refer to "*Risk Factors — The Group's insurance coverage is limited; if the Group experiences uninsured losses it could adversely affect the Group's financial condition and results of operations.*" for further details of risks relating to the Group's current insurance coverage. To minimise the Group's product liability risk, the Group has instituted quality control measures in order to avoid or reduce the incidence of product defects. Please refer to "*— Production — Quality Management*" above for further details of the Group's quality control system. The Directors are of the view that the Group's current insurance coverage is in line with industry practice and is adequate for the Group's operations.

HEALTH AND OCCUPATIONAL SAFETY

The Group is subject to various PRC laws and regulations in respect of health and occupational safety. The Group is committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with the Group's operation, and ensuring the health and safety of the Group's employees and surrounding communities. The Group has adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for the Group's employees, including those required under the GMP certification. For example, the Group constructs and maintains all of its production facilities in accordance with the GMP certification. The Group also engages qualified inspectors each year to carry out on-site monitoring of its waste water, noise and boiler emission control, the results of which show that the Group has complied with relevant PRC laws and regulations. The Group requires new employees to participate in safety training to familiarise themselves with the relevant safety rules and procedures. In particular, the Group invites experts on fire control safety to conduct training sessions and regularly perform emergency evacuation drills to reduce risks associated with potential fire accidents. Additionally, the Group appoints qualified consulting firms to conduct on-site safety assessment and hazard identification, which help the Group enhance its overall health and safety management effectiveness. As of the date of the Information Memorandum, the Group had not experienced any material accidents in the course of its operation and the Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

ENVIRONMENTAL MATTERS

As a responsible pharmaceutical company, the Group adheres to environmental protection and is committed to minimising the impacts on the environment caused by its daily operations. The Group endeavours to control use of energy, greenhouse gas emission, air pollutant discharge, waste discharge, and disposal of chemicals during production.

The Group has been promoting green life style and working habits, encouraging its employees to participate in protecting ecological environment. In respect of laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, the Group has complied in all material respects with the applicable laws and regulations that have a significant impact on the Group during the last three years preceding the date of this Information Memorandum.

Environmental Management

The Group actively promotes the implementation of ISO14001 environmental management system (EMS) in its business operations, evaluates the environmental factor of each product's life cycle, including design, research and development, production, use and disposal process, and adopts measures to improve the usage efficiency of various resources and energy. The Group conducts an annual EMS internal audit for auditing the degree of supervision of management review and its partners to ensure the integrity and consistency of EMS and compliance with ISO14001 standard. Currently, the Group's manufacturing bases in Shandong, Beijing and Nanjing have passed ISO14001 certification.

Air Emission Management

The Group's air emissions are mainly from combustion of boilers and the exhaust gas emitted by the laboratories and workshops. The Group has developed a set of internal regulations to monitor the exhaust gas generated by it, and ensure its compliance with the existing environmental regulations, so as to reduce environmental pollution.

Waste Management

As waste management is an integral part of pollution prevention and control, the Group continues to implement effective measures for waste management. It has developed a set of procedures and regulations aiming at reducing waste, reusing waste and decontamination throughout the whole process of solid waste generation, collection, storage, transportation, usage and disposal.

Sewage Management

Sewage discharge management is another focus of water resources management of the Group. The Group has developed management procedures to enhance control over various production and domestic wastewater generated during the Group's research, production, service and other activities, and minimises the adverse impacts of wastewater discharge on the surrounding environment and human health. During the year of 2023, the Group's sewage discharges met all the standard requirements.

Chemicals Management

The Group is committed to managing chemicals from the safety and environmental aspects, in order to protect the ecological environment and human health. With the risk assessment and risk management of chemicals as the basic framework, the Group has established a number of basic environmental management systems for chemicals, such as environmental pollution control of chemicals, prevention and contingency plans for pollution accident, control of detrimental impact of hazardous chemicals on environment and human health, etc.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of eleven members, five of whom are Independent Non-Executive Directors. The following table provides certain information about the Directors:

Name	Current position and role
Mr. LIU Dian Bo (劉殿波先生)	Executive Chairman, responsible for the overall management, operations and the charting and reviewing of corporate directions and strategies of the Group
Mr. YANG Rong Bing (楊榮兵先生)	Executive Director, primarily responsible for the overall management of the Group
Mr. YUAN Hui Xian (袁會先先生)	Executive Director, primarily responsible for the Group's public relations
Ms. ZHU Yuan Yuan (祝媛媛女士)	Executive Director, primarily responsible for the Group's investors relationships
Mr. SONG Rui Lin (宋瑞霖先生)	Non-Executive Director
Dr. LYU Dong (吕東博士)	Non-Executive Director
Mr. ZHANG Hua Qiao (張化橋先生)	Independent Non-Executive Director
Professor LO Yuk Lam (盧毓琳教授)	Independent Non-Executive Director
Mr. LEUNG Man Kit (梁民傑先生)	Independent Non-Executive Director
Mr. CHOY Sze Chung Jojo (蔡思聰先生)	Independent Non-Executive Director
Ms. XIA Lian (夏蓮女士)	Independent Non-Executive Director

The following table provides information about the other member of the Group's senior management team (in addition to the Executive Directors):

Name	Current position and role
Mr. LIU Yuan Chong (劉元沖先生)	Chief Financial Officer, primarily responsible for the Group's internal financial management and corporate finance
Ms. LI Li (李莉女士)	Vice President, primarily responsible for the Group's sales and marketing in China

EXECUTIVE DIRECTORS

Mr. Liu Dian Bo, Executive Chairman, is a founding member of the Group. He was appointed as a Director in July 2003. As the Group's Executive Chairman, Mr. Liu is responsible for the overall management, operations and the charting and reviewing of corporate directions and strategies of the Group. Prior to founding the Group, Mr. Liu was a teacher at Yantai Teacher's College from 1985 to 1989. From 1989 to 1993, Mr. Liu was the General Manager of Penglai Huatai Pharmaceutical Co., Ltd. From 1994 to 1999, Mr. Liu was the chairman cum general manager of Shandong Luye. From 1999 to the incorporation of the Company in 2003, Mr. Liu was the chairman cum president of Shandong Luye. Mr. Liu obtained a Medical Diploma from Yishui Special Medical College (now known as Shandong Medical College) in July 1985. Mr. Liu is the chairman and general manager of Shandong Luye, and chairman of Beijing WPU, and a director of the following main subsidiaries of the Company: Yantai Luye Drugs Trading Co., Ltd. ("**Luye Trading**"), Sichuan Luye, AsiaPharm Investments Limited ("**AsiaPharm Investments**"), AsiaPharm Biotech Pte. Ltd., Luye Biotech (Singapore) Pte. Ltd. and ABio Pharma Pte. Ltd. Mr. Liu is a director of each of Luye Life Sciences Group Ltd. (formerly known as Luye Group Ltd) ("**Luye Group**"), Luye Pharma Holdings Ltd. ("**Luye Pharma Holdings**"), LuYe Pharmaceutical International Co., Ltd. ("**Luye Pharma Intl**"), LuYe Pharmaceutical Investment Co., Ltd. ("**Luye Pharma Investment**"), Shorea LBG, Ginkgo (PTC) Limited (formerly known as Ginkgo Trust Limited), and Nelumbo Investment Limited.

Mr. Yang Rong Bing, holds the office of Vice Executive Chairman and is also a founding member of the Group. Mr. Yang was appointed as an Executive Director on 1 March 2007 and was previously a Non-Executive Director from July 2003. Mr. Yang was appointed as the vice executive chairman of the Board with effect from 30 March 2015. Mr. Yang has also been a non-executive director of Shandong

Luye since 2000. Prior to that, Mr. Yang was with Jiangsu Xuzhou Bio-Chemical Pharmaceutical Factory from 1988 to 1994 where he worked as an assistant factory head. In 1994, Mr. Yang joined Shandong Luye as a deputy general manager and from 1999 to 2000, he was the chief sales executive and executive director of Shandong Luye. Mr. Yang obtained a Bachelor's degree in Science from Beijing Normal University in July 1988. Mr. Yang is the chairman of Nanjing Luye Pharmaceutical Co., Ltd ("**Nanjing Luye**") and a director of the following main subsidiaries of the Company: Shandong Luye, Luye Trading and Nanjing Luye. Mr. Yang is a director of each of Luye Group, Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

Mr. Yuan Hui Xian, holds the office of Executive Director and is also a founding member of the Group. Mr. Yuan was appointed as a Director in July 2003 and is in charge of the Group's public relations. Prior to joining the Group in 1994, Mr. Yuan was a doctor with Shengli Petroleum Administrative Bureau Yantai Sanatorium from 1980 to 1994, where he was in charge of radiation diagnosis. From 1994 to 1999, Mr. Yuan was a deputy general manager with Shandong Luye. From 1999 to the incorporation of the Company in 2003, Mr. Yuan was the vice-president and executive director of Shandong Luye. He has also received a Post-graduate Certificate in National Economics from the China People's University in February 2003. Mr. Yuan is the chairman of Luye Trading and a director of the following main subsidiaries of the Company: Shandong Luye, Nanjing Luye and Shandong Luye Natural Drug R&D Co., Ltd. Mr. Yuan is a director of each of Luye Group, Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

Ms. Zhu Yuan Yuan, has been the Executive Director of the Company since March 2014. She joined the Group in August 2009 and has twelve years of experience in corporate finance. Before joining the Group, she worked for New Asia Partners Investment Holdings Limited, a Shanghai and Hong Kong-based investment firm focused on assisting Chinese companies in accessing the international capital markets, principally by providing equity capital and corporate finance advisory services. She obtained her Master's degree in Corporate Strategy and Governance from the University of Nottingham in December 2004 and a Bachelor's degree in Finance from Southeast University, the PRC in June 2003. Ms. Zhu is a director of the following subsidiaries of the Company: Luye Pharma Hong Kong Limited ("**Luye Hong Kong**"), Solid Success Holdings Limited ("**Solid Success**"), Apex Group Holdings Limited ("**Apex Group Holdings**") and Kang Hai Pharmaceutical Technology Development Limited ("**Kang Hai Pharmaceutical**"). She is a supervisor of the Company's subsidiary Beijing WPU. Ms. Zhu is a director of each of Luye Pharma Holdings, Luye Pharma Intl and Luye Pharma Investment.

NON-EXECUTIVE DIRECTORS

Mr. Song Rui Lin, has been the Company's non-executive Director since March 2017. Mr. Song is the executive president of China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會) and the executive deputy director of the Research Centre for Drug Policy and Industrial Development at China Pharmaceutical University (中國藥科大學藥物政策與產業經濟研究中心). He also is the Expert of Talent Pool for State Affairs of Chinese People's Political Consultative Conference (CPPCC), adviser on Participation in and Deliberation of State Affairs for the Central Committee of Chinese Peasants and Workers Democratic Party, Member of TCM Strategic Expert Consultation Committee of NMPA, Biotech Advisory Panel Member of the Hong Kong Stock Exchange, vice president of China Alliance of Rare Diseases (CARD), honorary director of Chinese Pharmaceutical Association (中國藥學會) (the "**Association**"), director of Chinese Pharmacist Association, director of the Bethune Charitable Foundation and Visiting Research Fellow in Shanghai Jiao Tong University. Mr. Song has extensive experience in the research of the PRC healthcare and drugs laws and policies, and was involved in the drafting and review of a number of the current PRC laws and regulations on healthcare and drugs. From 1985 to 2007, Mr. Song served as deputy director, director and deputy Director-General at The Department of Education, Science, Culture and Public Health in Legislative Affairs Office at State Council of China (中國國務院法制辦公室). Subsequent to 2008, Mr. Song served as deputy director of the Association and executive director of the Research Centre for Drug Policies (醫藥政策研究中心) at

the Association. He served as the chairman and executive editor of Chinese Journal of New Drugs (中國新藥雜誌). Since 2011, Mr. Song has been serving as an expert at the Capital Healthcare Policy Reform Expert Group (首都醫療衛生體制改革專家組). Mr. Song obtained a Bachelor of Laws degree from China University of Political Science and Law in 1985 and a Master in Business Administration degree from China Europe International Business School in 2004, and obtained a Doctorate in Social and Administrative Pharmacy from China Pharmaceutical University in 2018.

Mr. Song currently serves as an independent non-executive director at Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696), Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (stock code: 2096), Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療服務科技有限公司) (stock code: 2159) and Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司) (stock code: 1167), all companies are listed on the Main Board of the Hong Kong Stock Exchange.

From June 2018 to March 2024, Mr. Song served as an independent director of a company listed on the Shanghai Stock Exchange, Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321). From March 2017 to March 2021, Mr. Song served as an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司) (stock code: 300294); from August 2015 to August 2021, he served as an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (stock code: 002826.SZ); from June 2015 to June 2021, he served as an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (stock code: 300158.SZ).

Dr. Lyu Dong, has been the Group's Non-Executive Director since December 2023. Dr. Lyu is currently a Managing Director at Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**") and has been a member of the healthcare private equity team since 2020. He has more than 20 years of experience in financial services and healthcare administrations. Prior to joining Hillhouse Investment, he was a managing Director of PAG, an Asia-focused private equity fund based in Hong Kong. Prior to that, he worked at the healthcare investment department of CITIC PE, a China-focused private equity fund based in Beijing. He started his career at the Centre for Drug Evaluation of State Food and Drug Administration as a division director. Dr. Lyu obtained his Ph.D. of Science from Chinese Pharmaceutical University, Master of Science from Peking University and Bachelor of Science from Beijing Medical University.

Dr. Lyu holds or held directorships in the following listed companies during the three years immediately prior to the date of this Information Memorandum.

Name of the listed company	Term	Position
Clover Biopharmaceuticals, Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2197)	March 2021 to October 2022	Non-executive director
Jacobio Pharmaceuticals Group Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1167)	November 2020 to August 2023	Non-executive director
Keymed Biosciences Inc., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2162)	April 2021 to March 2022	Non-executive director
InventisBio Co., Ltd. (益方生物科技(上海)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688382)	December 2020 to June 2023	Director
Genor Biopharma Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6998)	November 2021 to present	Non-executive director

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Hua Qiao, has been the Group's Independent Non-Executive Director since June 2014. Mr. Zhang has 17 years of experience in working in the investment banking industry since 1994. He served as managing director and the co-head of China research team from June 1999 to April 2006 and the deputy head of China investment banking division of UBS AG, Hong Kong Branch from September 2008 to June 2011. He graduated from the Graduate School of the People's Bank of China (中國人民銀行研究生部) with a Master's degree in Economics in 1986, and from the Australian National University with a Master's degree in Economics in January 1991.

Mr. Zhang holds or held directorships in the following listed companies during the three years immediately prior to the date of this Information Memorandum.

Name of the listed company	Term	Position
Radiance Holdings (Group) Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 9993)	October 2020 to present	Independent non-executive director
Logan Group Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3380)	November 2013 to present	Independent non-executive director
Zhong An Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 672)	January 2013 to present	Independent non-executive director
Fosun International Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 656)	March 2012 to present	Independent non-executive director
Haitong International Securities Group Limited, a company formerly listed on the Main Board of the Hong Kong Stock Exchange (former stock code: 665)	May 2021 to March 2024*	Independent non-executive director

Note:

* Haitong International Securities Group Limited has been delisted from the Stock Exchange with effect from 11 January 2024.

Professor Lo Yuk Lam, has been the Group's Independent Non-Executive Director since June 2014. Professor Lo has extensive experience in biotechnology industry, corporate management, academic research and community service. Professor Lo currently serves as the President of HK Bio-Med Innotech Association, and the Honorary Founding Chairman of Hong Kong Biotechnology Organization. In the educational area, Professor Lo is serving as the Strategic Advisor to the President Office of the President and the Adjunct Professor of the division of life science of the Hong Kong University of Science and Technology. He has been elected an Honorary Fellow of the Hong Kong University of Science and Technology. He is also the Honorary Professor of several universities in China.

Professor Lo was heavily involved in several committees of the Hong Kong Government. He had been served as the Chairman of the Advisory Council for Food Safety of the Food and Health Bureau, Director of the Hong Kong Applied R&D Fund Co., Ltd., Chairman of the Biotechnology Committee of the Hong Kong Industry & Technology Development Council, and Chairman of Biotechnology Projects Vetting Committee of the Innovation and Technology Fund.

In Mainland China, Professor Lo was a member of Chinese People's Political Consultative Conference in Jilin Province. He was also a consultant of the Centre for Disease Control and Prevention of China.

In recognition of his leadership in the community and dedication to his field, Professor Lo has received many awards, such as the "Pericles International Prize" in 2019. He is the second Asian and the first

person from Hong Kong to be awarded the Prize since it was founded in 1986. In 2020, Professor Lo was awarded the Bronze Bauhinia Star by the Hong Kong government for his outstanding services over the past decades.

In the business sector, Professor Lo had served as the Managing Director of Asia Pacific of Bio-Rad Laboratories (NYSE: BIO) and PerkinElmer (NYSE: PKI). He is the Chairman of GT Healthcare Capital Partners, and Partner & Investment Committee Member of Hongsen Investment Management Limited.

Professor Lo holds or held directorships in the following listed companies during the three years immediately prior to the date of this Information Memorandum.

Name of the listed company	Term	Position
Sinovac Biotech Ltd., a company listed on NASDAQ Global Select Market (symbol: SVA)	March 2006 to present	Independent director
Zhaoke Ophthalmology Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6622)	April 2021 to present	Independent non-executive director

Mr. Leung Man Kit, has been the Group's Independent Non-Executive Director since June 2014. Mr. Leung has over 43 years of experience in project finance and corporate finance. He was a Responsible Officer of Grand Moore Capital Limited from 18 September 2019 to 31 October 2021. Previously, he was a director of Emerging Markets Partnership (Hong Kong) Limited, the principal adviser to the AIG Infrastructure Fund L.P. in 1999. He also held senior positions in the Hong Kong Branch of the Swiss Bank Corporation, SG Securities (HK) Limited (previously known as Crosby Securities (Hong Kong) Limited) and Peregrine Capital Limited.

Mr. Leung holds or held directorships in the following listed companies during the three years immediately prior to the date of this Information Memorandum.

Name of the listed company	Term	Position
Orange Sky Golden Harvest Entertainment (Holdings) Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1132)*	February 2008 to present	Independent non-executive director
China Ting Group Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3398)	November 2005 to present	Independent non-executive director
NetEase, Inc., a company listed on NASDAQ and Main Board of the Hong Kong Stock Exchange (stock code: NTES, 9999)*	July 2002 to present July 2002 to July 2022	Independent non-executive director Chairman of the Audit Committee

Note:

* Mr. Leung is/was also the chairman of the audit committee of these companies.

Mr. Leung obtained a Bachelor's degree in Social Sciences from University of Hong Kong in October 1977.

Mr. Choy Sze Chung Jojo, has been the Group's Independent Non-Executive Director since June 2014. Mr. Choy has extensive experience in the securities industry and business management. He is currently the vice chairman of National Resources Securities Limited and the permanent honourable president of the Institute of Securities Dealers Ltd.

Mr. Choy is a fellow member of the Hong Kong Institute of Directors, the Institute of Financial Accountants, the Institute of Public Accountants and the Institute of Compliance Officers. Mr. Choy is

also a member of the Election Council for Hong Kong Deputies to the 12th, 13th and 14th National People's Congress of the PRC, a member of the 4th, 5th and 6th term Chief Executive Election Committee of Hong Kong and a member of 11th, 12th and 13th Chinese People's Political Consultative Conference, Shantou.

Mr. Choy holds or held directorships in the following listed companies during the three years immediately prior to the date of this Information Memorandum.

Name of the listed company	Term	Position
First Credit Finance Group Limited, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code: 8215)	November 2017 to November 2023	Independent non-executive director
New Sparkle Roll International Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 970)	October 2007 to April 2024	Independent non-executive director
Zhaojin Mining Industry Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1818)	May 2007 to present	Independent non-executive director

Mr. Choy obtained a Master's degree in Business Administration from University of Wales, Newport in October 2004, a Master's degree in Business Law from Monash University in April 2007, an Honourary doctorate of Management from Lincoln University in August 2018 and a Fellowship from the Canadian Chartered Institute of Business Administration.

Ms. Xia Lian, has been the Group's Independent Non-Executive Director since May 2023. Ms. Xia has over 21 years of experience in business administration and business consultancy. She holds a bachelor's degree in marketing from the Peking University in China and a master's degree in executive master in change from European Institute of Business Administration (INSEAD). Ms. Xia was employed by Cheung Kong Graduate School of Business from April 2007 to August 2020 with her last position as an assistant dean. She is currently an executive director and the general manager of Vista Education Technology (Shenzhen) Co., Ltd. (遠見教育科技(深圳)有限公司).

Ms. Xia holds or held directorships in the following listed companies during the three years immediately prior to the date of this Information Memorandum.

Name of the listed company	Term	Position
Shanying International Holding Co., Ltd. (山鷹國際控股股份公司), a company listed on the Shanghai Stock Exchange (stock code: 600567)	November 2022 to present	Independent director
ANTA Sports Products Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2020)	July 2022 to present	Independent non-executive director

SENIOR MANAGEMENT

The Group's senior management comprises its Executive Directors and the following persons:

Mr. Liu Yuan Chong, joined the Group in March 1997 and is currently the Chief Financial Officer. He started as the accountant-in-charge at the Group's finance department, and was promoted to chief of the finance department in 2005 and to the Group's Chief Financial Officer in 2012. Prior to joining the Group, he was the head of accounting of Yantai Alternator Plant (煙台家電交電總公司). He also taught at Yantai Business Vocational Secondary School (煙台商業中專) from September 1983 until September 1986. From 1980 to 1983, he was employed by Shandong Laiyang Biochemical Pharmaceutical Factory. Mr. Liu received a Post-Graduate Certificate in Financial Management from Peking University in October 2006. He currently serves as non-executive director of Shandong Boan Biotechnology Co., Ltd.

Ms. Li Li, joined the Group in 1997 and is currently the Vice President and responsible for sales and marketing management in China. Ms. Li has over 26 years of experience in the pharmaceutical industry. Since July 1997, she has served in various positions in the Group. Ms. Li obtained a Bachelor's degree in biochemistry from Yantai University in the PRC in July 1997. She also completed a postgraduate course in applied psychology and human resources management and development at Institute of Psychology of Chinese Academy of Sciences (中國科學院心理研究所) in the PRC in February 2009 and obtained a Master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in August 2021. She currently serves as non-executive director of Shandong Boan Biotechnology Co., Ltd.

PRINCIPAL SHAREHOLDERS

Those persons who have interests and short positions in the Shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as at 30 June 2024 as recorded in the register required to be kept under Section 336 of the SFO are set out below:

Substantial Shareholders	Capacity/ nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
LuYe Pharmaceutical Investment Co., Ltd.[1]	Beneficial owner	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
LuYe Pharmaceutical International Co., Ltd.[1]	Interest in a controlled corporation	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Luye Pharma Holdings Ltd.[1]	Interest in a controlled corporation	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Luye Life Sciences Group Ltd.[2]	Interest in a controlled corporation	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Nelumbo Investments Limited[2]	Interest in a controlled corporation	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Ginkgo (PTC) Limited[2]	Trustee	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Shorea LBG[2]	Interest in a controlled corporation	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Liu Dian Bo	Interest in a controlled corporation	1,259,196,703 (L)	33.47 (L)
		192,317,950 (S)	5.11 (S)
Hillhouse Investment Management, Ltd.[3]	Investment manager	552,324,108 (L)	14.68 (L)
Hillhouse Fund V, L.P.[3]	Interest in a controlled corporation	552,324,108 (L)	14.68 (L)
Hillhouse NEV Holdings Limited[3]	Beneficial owner	552,324,108 (L)	14.68 (L)
UBS Group AG	Interest in a controlled corporation	456,029,530 (L)	12.12 (L)
		345,260,737 (S)	9.18 (L)

Remark: The letter "L" denotes long position in such Shares and "S" denotes short position in such Shares.

Notes:

(1) LuYe Pharmaceutical Investment Co., Ltd is wholly-owned by LuYe Pharmaceutical International Co., Ltd., which is in turn wholly-owned by Luye Pharma Holdings Limited.

(2) Nelumbo Investments Limited holds 70% of the issued share capital of Luye Life Sciences Group Ltd. The entire issued share capital of Nelumbo Investments Limited is held by Ginkgo (PTC) Limited as trustee of the family trust of Mr. Liu Dian Bo. Ginkgo (PTC) Limited is wholly-owned by Shorea LBG whose sole shareholder is Mr. Liu Dian Bo.

(3) Hillhouse NEV Holdings Limited is wholly-owned by Hillhouse Fund V, L.P. and Hillhouse Investment Management, Ltd. is the sole investment manager of Hillhouse NEV Holdings Limited.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.$100,000,000 aggregate principal amount of 5.85 per cent. Convertible Bonds due 2025 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Luye Pharma Group Ltd. (the "**Issuer**") and the right of conversion into Shares (as defined in Condition 6(A)(iv)) was authorised by the Board of Directors of the Issuer on 22 October 2024. The Bonds are constituted by the trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 30 October 2024 (the "**Issue Date**") between the Issuer and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement dated 30 October 2024 (as amended and/or supplemented from time to time, the "**Agency Agreement**") relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch, as principal paying agent and principal conversion agent (collectively in such capacities, the "**Principal Agent**") and as transfer agent (the "**Transfer Agent**"), Citicorp International Limited as registrar (the "**Registrar**") and the other paying agents, conversion agents and transfer agents appointed under it (each a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**", as the case may be, and, together with the Registrar, the Transfer Agent and the Principal Agent, the "**Agents**", which expressions shall include their successors and all persons for the time being Agents under the Agency Agreement) relating to the Bonds. References to "**Paying Agent**" and to "**Conversion Agent**" each include the Principal Agent. References to the "**Principal Agent**", the "**Registrar**", the "**Transfer Agent**" and "**Agents**" below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Bonds.

Copies of the Trust Deed and of the Agency Agreement are available (i) for inspection by Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the principal office for the time being of the Trustee (being on the Issue Date at 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee or (ii) may be provided by email to any Bondholder following written request and proof of holding and identity to the satisfaction of the Trustee.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered.

1 Form, Denomination and Title

(A) Form and Denomination

The Bonds are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (an "**Authorised Denomination**"). A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "Description of the Global Certificate".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

2 Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(A)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

3 Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside of the United Kingdom in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Bonds may, subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents, together with such evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. In the case of a transfer of part only of a holding of Bonds (being that of one or more Bonds) represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person

who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates. See "Description of the Global Certificate").

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or, as the case may be, any other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 6, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the relevant Transfer Agent, with whom a Certificate is deposited in connection with a transfer or conversion, is located.

(D) Formalities Free of Charge

Subject to Conditions 3(E) and 3(F), registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(E) Restricted Transfer Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)(i)) has been

delivered with respect to such Bond; (iii) after a Relevant Event Put Exercise Notice (as defined in Condition 8(C)) has been deposited in respect of such Bond pursuant to Condition 8(C); or (iv) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 7(A)). Each such period is a "**Restricted Transfer Period**".

(F) Regulations

All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following prior written request and proof of holding and identity satisfactory to the Registrar.

4 Covenants

(A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries (as defined below) will, create, permit to subsist or arise, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Charge**") (other than a security interest arising by operation of law) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless at the same time or prior thereto according to the Bonds:

(i) the same Charge as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably; or

(ii) such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In these Conditions:

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market but shall not include any financing of the acquisition of assets if (a) by the terms of such financing it is expressly provided that the holders of the resulting indebtedness shall look to the assets financed and the revenues to be generated by the operation of, or loss of or damage to, such assets as the sole source of repayment for the moneys advanced and payment of interest thereon and (b) such financing is not guaranteed by the Issuer or any of its Subsidiaries. For the avoidance of doubt, Relevant Indebtedness shall not include any indebtedness under any loan or loan facility obtained by the Issuer or its Subsidiaries in the ordinary course of business; and

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business

entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

(B) CSRC Filing(s)

The Issuer undertakes to file or cause to be filed with the CSRC (as defined below in Condition 6(G)) within the relevant prescribed period after the Issue Date the CSRC Filing Report (as defined below in Condition 6(G)) and to comply with the continuing obligations under the CSRC Filing Rules and any implementation rules as issued by the CSRC from time to time.

(C) Notification of Completion of the CSRC Filing(s)

The Issuer shall complete the CSRC Filing(s), and within ten PRC Business Days after the submission of the CSRC Filing(s), provide the Trustee with (a) a certificate (substantially in the form scheduled to the Trust Deed) (the "**First Trustee Certificate**") in English signed by an Authorised Signatory of the Issuer confirming the completion of the submission of the CSRC Filing(s); and (b) copies of the relevant documents, confirmations and/or notices evidencing that the CSRC Filing(s) have been submitted, each certified in English by an Authorised Signatory of the Issuer as a true and complete copy of the original (the items specified in (a) and (b) together, the "**Registration Documents**"). In addition, within ten PRC Business Days after confirmation is issued by the CSRC that the CSRC Filing(s) have been completed, the Issuer shall provide the Trustee with a further certificate (substantially in the form scheduled to the Trust Deed) (the "**Second Trustee Certificate**") in English signed by an Authorised Signatory of the Issuer confirming the completion of the CSRC Filing(s) and attaching copies of the confirmation(s) and/or notice(s) issued by the CSRC confirming that the CSRC Filing(s) have been completed (the Second Trustee Certificate and such confirmation(s) and/or notice(s), the "**CSRC Filing(s) Confirmation Documents**").

The Issuer shall, (I) within five PRC Business Days after the day on which the Registration Documents are delivered to the Trustee and (II) within five PRC Business Days after the day on which the CSRC Filing(s) Confirmation Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 11) confirming, in the case of (I), the submission of the CSRC Filing(s) and, in the case of (II), the completion of the CSRC Filing(s). For the avoidance of doubt, Registration Documents do not include copies of any letters, filings, correspondences, communications, documents, responses, undertakings and submissions falling within the definition of CSRC Filing(s).

The Trustee and the Agents shall have no obligation or duty to monitor, assist with or ensure that the CSRC Filing(s) is filed with the CSRC or completed within the prescribed timeframes in accordance with these Conditions and/or any other applicable PRC laws and regulations or to monitor compliance by the Issuer with all or any applicable PRC laws and regulations in relation to the Bonds or to verify the accuracy, validity and/or genuineness of any Registration Documents and/or CSRC Filing(s) Confirmation Documents or any documents, confirmations, notices or evidence in relation to or in connection with the CSRC Filing(s) or to translate or procure that any Registration Document, CSRC Filing(s) Confirmation Document or other document, confirmation, notice or evidence in relation to or in connection with the CSRC Filing(s) is translated into English or to verify the accuracy or completeness of any English translation of any such Registration Document, CSRC Filing(s) Confirmation Document or other notice, confirmation, document or evidence or to

give notice to the Bondholders confirming the filing of the CSRC Filing(s), and none of them shall be liable to the Issuer, the Bondholders or any other person for not doing so or for any of the foregoing.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 5.85 per cent. per annum, payable (i) in the amount of U.S.$14.63 per Calculation Amount (as defined below) on 30 January 2025 for a complete three months period from and including the Issue Date to but excluding 30 January 2025, (ii) in the amount of U.S.$14.63 per Calculation Amount (as defined below) on 30 April 2025 for a complete three months period from and including 30 January 2025 to but excluding 30 April 2025, (iii) in the amount of U.S.$14.63 per Calculation Amount (as defined below) on 30 July 2025 for a complete three months period from and including the 30 April 2025 to but excluding 30 July 2025, and (iv) in the amount of U.S.$14.46 per Calculation Amount on 29 October 2025 for the period from and including 30 July 2025 to but excluding 29 October 2025 (each of 30 January 2025, 30 April 2025, 30 July 2025 and 29 October 2025, an "**Interest Payment Date**").

Each Bond will cease to bear interest (A) (subject to Condition 6(B)(iv)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined in Condition 6(B)(i)), or if none, the Issue Date (subject in any case as provided in Condition 6(B)(iv)), or (B) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event, it will continue to bear interest at 7.85 per cent. per annum (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (ii) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each such successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

6 Conversion

(A) Conversion Right

(i) *Conversion Period*: Subject as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Shares (as defined in Condition 6(A)(iv)) credited as fully paid at any time during the Conversion Period referred to below (the "**Conversion Right**").

Subject to and upon compliance with these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after 10 December 2024 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling ten days prior to the Maturity Date (as defined in Condition 8(A)) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(C) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the "**Conversion Period**").

A Conversion Right may not be exercised (a) in respect of a Bond where the holder shall have exercised his right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(C), or (b) except as provided in Condition 6(A)(iii), following the giving of notice by the Trustee pursuant to Condition 10.

The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$3.672 per Share, but will be subject to adjustment in the manner described in Condition 6(C) and/or Condition 6(D), as applicable.

The number of Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK$7.7728 = U.S.$1.00 (the "**Fixed Exchange Rate**")) by the Conversion Price in effect on the relevant Conversion Date (as defined in Condition 6(B)(i) below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 22 October 2024 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash (in U.S. dollars) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds U.S.$10. Any such sum shall be paid not later than seven Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by a U.S. dollar denominated cheque or by transfer to a U.S. dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(iii) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice (as defined in Condition 6(B)(i)) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 6(B)(i)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(iv) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of nominal value U.S.$0.02 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure

(i) *Conversion Notice:* To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during the Conversion Period at the specified office of any Conversion Agent during its usual business hours a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from the specified office of each Conversion Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such deposit is made after the end of normal business hours (being 3:00 p.m. in the place of specified office of the relevant Conversion Agent) or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such business day. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the other Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorised Denomination.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice to the Conversion Agent and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right.

"**Stock Exchange Business Day**" means any day (other than a Saturday, Sunday or public holiday) on which Relevant Stock Exchange (as defined in Condition 6(G) below), as the case may be, is open for the business of dealing in securities.

(ii) *Stamp Duty etc.:* A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any and all taxes and/or capital, stamp, issue and registration and transfer taxes and duties ("**Duties**") arising on such exercise (other than any Duties payable in Bermuda and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange (as defined in Condition 6(G) below) by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Relevant Stock Exchange on conversion, being the "**Issuer Duties**") (such Duties and such Issuer Duties are collectively referred to as the "**Taxes**"). The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder (and, if different, the person to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Duties payable pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid.

If the Issuer shall fail to pay any amount payable for which it is responsible as provided above in this Condition 6(B)(ii), the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible to Bondholders, the Issuer or any other person for paying any Taxes or any expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Taxes, expenses or other amounts are payable or the amount thereof and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay such Taxes, expenses or other amounts.

(iii) *Registration*: Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii), the Issuer will, as soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register in Hong Kong and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "**CCASS**") effective from time to time, take all necessary action to procure that Shares are delivered through

CCASS for so long as the Shares are listed on the HKSE (as defined in Condition 6(G) below); or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's obligation to pay the principal and premium (if any) on such converted Bonds.

If (A) the Registration Date (as defined below) in relation to the conversion of any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C) and/or Condition 6(D), as applicable, and (B) the Conversion Date in relation to such exercise shall be before the date on which such adjustment to the Conversion Price becomes effective under the relevant Condition (any such adjustment, a "**Retroactive Adjustment**"), upon the relevant adjustment to the Conversion Price becoming effective under the relevant Condition, the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as is, together with Shares to be issued on conversion of the Bond(s), equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately prior to the relevant Conversion Date and in such event and in respect of such Additional Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period).

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**").

The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

(iv) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Conditions 8(B) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a U.S. dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment as follows:

(1) Consolidation, Reclassification or Subdivision:

Adjustment: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share in issue immediately before such alteration.

Effective Date of Adjustment: Such adjustment shall become effective on the date the alteration takes effect.

(2) Capitalisation of Profits or Reserves:

(i) *Adjustment:* If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalisation of profits or reserves (including, Shares paid up out of distributable profits or reserves and/or share premium account) (except any Scrip Dividend) and which would not have constituted a Distribution (as defined in Condition 6(G)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares, or if a record date is fixed therefor, immediately after such record date.

(ii) *Adjustment:* In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined in Condition 6(G)) on the date of announcement of the terms of the issue of such Shares multiplied by the number of such Shares issued exceeds the amount of the Relevant Cash Dividend (as defined in Condition 6(G)) or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such Scrip Dividend;

B is the aggregate number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and

C is the aggregate number of Shares issued pursuant to such Scrip Dividend;

or by making such other adjustment to the Conversion Price to give effect to the foregoing as an Independent Investment Bank shall certify to the Bondholders is fair and reasonable.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(3) Distributions:

Adjustment: If and whenever the Issuer shall pay or make any Distribution to Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution in Hong Kong dollars attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date that such Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

(4) Rights Issues of Shares or Options over Shares:

Adjustment: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Shares (or shall grant any such rights in respect of existing securities so issued), in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights (and notwithstanding that the relevant issue may be or be expressed to be subject to Shareholder or other approvals or consents or other contingency or event occurring or not occurring), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be on the Relevant Stock Exchange.

(5) Rights Issues of Other Securities:

Adjustment: If and whenever the Issuer shall issue securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of the securities, or issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Relevant Stock Exchange.

(6) Issues at Less than Current Market Price:

Adjustment: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4)) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, or purchase of Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(4)) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares (other than the Bonds), in each case at less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(7) Other Issues at Less than Current Market Price:

Adjustment: If and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any Securities (other than the Bonds, which term shall for this purpose exclude any further bonds issued pursuant to Condition 17) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be

adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

(8) Modification of Rights of Conversion etc.:

Adjustment: If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Bonds) as are mentioned in Condition 6(C)(7) (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such modification is announced; and

B is the difference on a per Share basis between the Fair Market Value of the modification on the date of announcement and the consideration received for such modification.

Effective Date of Adjustment: Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

(9) Other Offers to Shareholders:

Adjustment: If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall offer any securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6(C)(2), 6(C)(3), 6(C)(4), 6(C)(5), 6(C)(6) or 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(10) Other Events:

Adjustment: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to in this Condition 6(C) (even if the relevant circumstance is specifically excluded from the operation of Conditions 6(C)(1) to 6(C)(9) (both inclusive)), the Issuer shall, at its own expense, request an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment (if any) should take effect and upon such determination by the Independent Investment Bank, such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 6(C)(10) if such Independent Investment Bank is so requested to make such a determination.

(D) Adjustment upon Change of Control

If a Change of Control (as defined in Condition 8(C)) shall have occurred, the Issuer shall give notice of that fact to the Bondholders (the "**Change of Control Notice**") in accordance with Condition 11 within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice (which shall be copied to the Trustee and the Principal Agent), upon any exercise of Conversion Rights such that the relevant Conversion Date falls within the period of 30 days following the later of (1) the relevant Change of Control and (2) the date on which the Change of Control Notice is given to Bondholders (such period, the "**Change of Control Conversion Period**"), the Conversion Price shall be adjusted in accordance with the following formula:

NCP	=	OCP / (1 + (CP × (c / t)), where
NCP	=	the Conversion Price after such adjustment;
OCP	=	the Conversion Price before such adjustment. For the avoidance of doubt, OCP for the purposes of this Condition 6(D) shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion to which this Condition 6(D) is applicable;
CP (or Conversion Premium)	=	20 per cent. expressed as a fraction;
c	=	the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and
t	=	the number of days from and including the Issue Date to but excluding the Maturity Date.

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period.

(E) Undertakings

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

(i) it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the HKSE, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the HKSE, and (c) if the Issuer is unable to obtain or maintain such listing, to use all reasonable endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine (and notify in writing to the Trustee and the Principal Agent) and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Shares (as a class) by any of such stock exchange;

(ii) it will use all reasonable endeavours to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the **SGX-ST**) and if the Issuer is unable to maintain such listing or such listing is unduly onerous, to use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine and it will forthwith give notice to the Bondholders in accordance with Condition 11 (which notice shall be copied to the Trustee) of the listing or delisting of the Bonds by any such stock exchange;

(iii) it will pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds (save for any Duties payable by the relevant Bondholder as specified in Condition 6(B)(ii)); and

(iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

(a) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and

(b) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the nominal value of the Shares, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(F) Provisions Relating to Changes in Conversion Price

(i) *Minor Adjustments*: On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee and the Principal Agent in writing promptly after the determination thereof.

(ii) *Decision of an Independent Investment Bank*: If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

(iii) *Minimum Conversion Price*: Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by applicable laws and regulations.

(iv) *Reference to "Fixed"*: Any references herein to the date on which a consideration is "**fixed**" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(v) *Multiple Events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

(vi) *Upward/downward Adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Principal Agent on writing and to the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(F)(iii).

(vii) *Trustee and Agents Not Obliged to Monitor or Make Calculation*: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and neither the Trustee nor any Agent will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so or for any calculation or determination made by the Issuer or any Independent Investment Bank in connection with the Conversion Price or generally as contemplated in this Condition 6 or for any delay by the Issuer or any Independent Investment Bank in making a determination or any erroneous determination in connection with the Conversion Price.

(viii) *Notice of Change in Conversion Price*: The Issuer shall give notice to the Bondholders in accordance with Condition 11 (with a copy to the Trustee and the Principal Agent) and, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall also give notice to the SGX-ST of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

(G) Definitions

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the HKSE, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

"**Closing Price**" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the HKSE or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;

"**CSRC**" means the China Securities Regulatory Commission;

"**CSRC Filing Rules**" means the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC on 17 February 2023, as amended, supplemented or otherwise modified from time to time;

"**CSRC Filing Report**" means the filing report of the Issuer in relation to the issuance of the Bonds which will be submitted to the CSRC within the prescribed time period after the Issue Date pursuant to Article 13 of the CSRC Filing Rules;

"**CSRC Filing(s)**" means any letters, filings, correspondences, communications, documents, responses, undertakings and submissions in any form, including any amendments, supplements and/or modifications thereof, made or to be made to the CSRC, relating to or in connection with the issuance of the Bonds pursuant to the CSRC Filing Rules and other applicable rules and requirements of the CSRC (including, without limitation, the CSRC Filing Report);

"**Current Market Price**" means, in respect of a Share on a particular date, the average of the Closing Prices of one Share for the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Day), such date of announcement; provided that:

(a) for the purposes of determining the Current Market Price pursuant to Conditions 6(C)(4) or 6(C)(6) in circumstances where the relevant event relates to an issue of Shares, if at any time during the said 20 Trading Day-period (which may be on each of such 20 Trading Days) the Shares shall have been quoted ex-dividend (or ex-any other entitlement) and/or during some other part of that period (which may be on each of such 20 Trading Days) the Shares shall have been quoted cum-dividend (or cum- any other entitlement) then:

(i) if the Shares to be issued do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share; or

(ii) if the Shares to be issued rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Share;

(b) for the purpose of determining the Current Market Price of any Shares which are to be issued or may be issued pursuant to a Scrip Dividend pursuant to Condition 6(C)(2)(ii), if on any day during the said 20 Trading Day-period the Volume Weighted Average Price of the Shares shall have been based (A) on a price cum the Relevant Cash Dividend (and/or any other dividend or other entitlement which the Shares that may be issued pursuant to terms of such Scrip Dividend do not rank for), the Volume Weighted Average Price of a Share on any such day shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of the Relevant Cash Dividend (and/or such other dividend or other entitlement) (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Share entitled to the Relevant Cash Dividend (and/or such other distribution or other entitlement) or (B) on a price ex-the Relevant Cash Dividend, the Volume Weighted Average Price of a Share on any such day shall for the purposes of this definition be deemed to be the amount thereof (x) multiplied by the sum of one and the number of Shares which are to be issued or may be issued pursuant to such Scrip Dividend per Share entitled to the Relevant Cash Dividend and (y) reduced by the Fair Market Value of the Relevant Cash Dividend (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Share entitled to the Relevant Cash Dividend; and

(c) for any other purpose, if any day during the said 20 Trading Day-period was the ex-date in relation to any dividend (or any other entitlement) the Volume Weighted Average Prices that shall have been based on a price cum-such dividend (or cum- such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend (or other entitlement) per Share as at the date of first public announcement of the terms of such dividend (or other entitlement).

In making any calculation or determination of Current Market Price, such adjustments (if any) shall be made as an Independent Investment Bank considers appropriate to reflect any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event;

"**Distribution**" means (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (ii) any cash dividend or distribution

(including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) translated into Hong Kong dollars at (A) the exchange rate between Renminbi and Hong Kong dollars expressed to be used in respect of such cash dividend or distribution (where applicable) or (B) in all other cases, the Prevailing Rate as at the date such distribution under (i) and/or (ii) of this definition is announced,

provided that a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer) shall not constitute a Distribution unless the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds the Current Market Price of a Share by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b) of this proviso, the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of (I) 105 per cent. of such Current Market Price and (II) the number of Shares so purchased or redeemed;

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend determined as at the date of announcement of such dividend (in which case no determination by an Independent Investment Bank would be required); (ii) the fair market value of any other cash amount shall be equal to such cash amount (in which case no determination by an Independent Investment Bank would be required); and (iii) where Securities are or will be publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such Securities shall equal the arithmetic mean of the daily closing prices of such Securities during the period of five Trading Days commencing on the first such Trading Day (or, if later, the first such Trading Day such Securities are publicly traded) or such shorter period as such Securities are publicly traded;

"**HKSE**" means The Stock Exchange of Hong Kong Limited or any successor thereto;

"**Independent Investment Bank**" means an independent investment bank of international repute selected and appointed by the Issuer (at the cost of the Issuer), and notified in writing to the Trustee and the Principal Agent in writing. If the Issuer fails to select an Independent Investment Bank when required by these Conditions, the Trustee may in its absolute discretion (but shall not be obliged to) select the Independent Investment Bank, provided the Trustee shall have no liability to the Issuer, Bondholders or any other person in respect of such selection or non-selection;

"**Prevailing Rate**" means, in respect of any currency on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

"**Relevant Cash Dividend**" means the aggregate cash dividend or distribution declared by the Issuer;

"**Relevant Page**" means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters page or such other information service provider that displays the relevant information;

"**Relevant Stock Exchange**" means at any time, in respect of the Shares, the HKSE or the Alternative Stock Exchange;

"**Securities**" or "**Security**" means any securities including, without limitation, shares, options, warrants or other rights to subscribe for or purchase or acquire securities;

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(2));

"**Trading Day**" means a day on which the Relevant Stock Exchange (or in respect of any other security, relevant securities market) is open for business and on which Shares or other securities may be dealt in (other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time) provided that for the purposes of any calculation where a Closing Price is required, if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; and

"**Volume Weighted Average Price**" means, in respect of a Share or Security on any Trading Day, the order book volume-weighted average price of a Share or Security published by or derived (in the case of a Share) from Bloomberg (or any successor service) page "VAP" or (in the case of a Security (other than Shares)) from the principal stock exchange or securities market on which such Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Investment Bank on such Trading Day, *provided that* on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share or Security in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

References to any issue or offer or grant to Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

7 Payments

(A) Method of Payment

Payment of principal, premium (if any) and interest (if any), and any other amounts due other than on an Interest Payment Date will be made by transfer to the registered account of the Bondholder or, but only in the case of any amount payable by the Issuer pursuant to Condition 6, by U.S. dollar cheque mailed to the registered address of the Bondholder if it

does not have a registered account. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the 15th Business Day (as defined in Condition 7(F)) before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

*So long as the Global Certificate is held on behalf of Euroclear and/or Clearstream and/or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it, details of which appear on the Register at the close of business on the Interest Record Date, and a Bondholder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day (as defined below in Condition 7(F)), for value on the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day or if the Bondholder is late in surrendering its Certificate (if required to do so).

(F) Business Day

In this Condition 7, "**Business Day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong and the city in

which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that it will maintain (i) a Principal Agent, (ii) an Agent having a specified office in a major financial centre in Europe, and (iii) a Registrar with a specified office outside the United Kingdom. In addition, so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any of the Global Certificate are exchanged for Bonds in definitive form, the Issuer shall appoint and at all times maintain a paying agent in Singapore. Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Bondholders.

8 Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 29 October 2025 (the "**Maturity Date**"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 8(B) (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

(i) The Issuer may redeem all and not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at its principal amount, together with interest accrued but unpaid up to but excluding such date (if any), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (a) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the People's Republic of China (the "**PRC**") or Bermuda, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 October 2024, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B)(i), the Issuer shall deliver to the Trustee (1) a certificate in English signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking reasonable measures available to it and (2) an opinion of independent legal or tax advisers of recognised standing issued to the effect that the Issuer has, or would become obligated to pay such Additional Tax Amounts as a result of such change or amendment referred to above in this Condition 8(B)(i). The Trustee shall be entitled

(without further investigation or query and without liability to Bondholders or any other person) to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (a) and (b) above of this Condition 8(B)(i), in which event the same shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date, the Issuer (subject to Condition 8(B)(ii)) shall redeem the Bonds at their principal amount together with interest accrued but unpaid up to but excluding the Tax Redemption Date (if any).

(ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(B)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal, premium (if any) or interest (if any) to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(B)(ii), the holder of the relevant Bond must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m. (in the location of the specified office of the relevant Paying Agent)) at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date. Such notice of exercise from the Bondholder, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's written consent.

(C) Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at their principal amount, together with interest accrued but unpaid up to but excluding such date (if any). To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m. (in the location of the specified office of the relevant Paying Agent)) at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Within 14 days after it becomes aware of the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11. Such notice regarding the Relevant Event shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as

provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to this Condition 8(C). Such notice shall also specify: (a) the date of such Relevant Event and, all information material to Bondholders concerning the Relevant Event; (b) the Relevant Event Put Date; (c) the last date by which a Relevant Event Put Exercise Notice must be given; (d) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right or Conversion Right; and (e) the information required by Condition 8(F).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur, and none of them shall be liable to the Bondholders or any other person for not doing so.

For the purposes of this Condition 8(C):

"**Control**" means (i) the right to appoint and/or remove all or the majority of the members of the relevant entity's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise; or (ii) the acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of the relevant entity;

a "**Change of Control**" occurs when:

(i) any Person or Persons other than the Permitted Holders (or Persons who are Controlled by the Permitted Holders) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date;

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons, other than the Permitted Holders, acquiring Control over the Issuer or the successor entity; or

(iii) the Permitted Holders cease to own at least 20 per cent. of the Issuer;

"**Permitted Holders**" mean any or all of the following: Mr. Liu Dian Bo, LuYe Pharmaceutical Investment Co., Ltd., and any Person or Persons Controlled by them;

"**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect Subsidiaries;

"**Relevant Event**" occurs:

(i) when the Shares cease to be listed or admitted to trading or are suspended on the Main Board of the HKSE for a period equal to or exceeding 30 consecutive Trading Days; or

(ii) when there is a Change of Control; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer (including, at the time, stock of any other class or classes which shall have, or might have, voting power by reason of the happening of any contingency).

(D) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders of the Bonds and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10, Condition 14(a) and Condition 15.

(E) Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(F) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (i) the Conversion Price as at the date of the relevant notice; (ii) the last day on which Conversion Rights may be exercised; (iii) the Closing Price of the Shares on the latest practicable date prior to the publication of the notice; (iv) the date for redemption; (v) the manner in which redemption will be effected; (vi) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice; and (vii) such other information as the Trustee may require.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition 8), the first in time shall prevail.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions, and none of them shall be liable to the Bondholders or any other person for not doing so.

9 Taxation

All payments made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Bermuda or, in each case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 22 October 2024 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding (A) by or within the PRC in excess of the Applicable Rate or (B) by or within Bermuda, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in the receipt by the Bondholders of such amounts as

would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(i) *Other connection:* to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC or Bermuda, other than the mere holding of the Bond or by the receipt of amounts in respect of the Bond; and

(ii) *Presentation more than 30 days after the relevant date:* (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

"**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal, premium (if any), interest (if any) or any other amount payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(B)(i).

10 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately become, due and repayable at their principal amount, together with any accrued and unpaid interest (if any), to but excluding the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

(A) *Non-Payment*: the Issuer fails to pay the principal, premium (if any) or interest (if any) on any of the Bonds when due and the default continues for a period of seven days; or

(B) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or

(C) *Failure to deliver Shares*: any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Bonds and such failure continues for a period of seven Stock Exchange Business Days; or

(D) *Cross-Default*: (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of

being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(D) have occurred equals or exceeds U.S.$25 million or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or

(E) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 days; or

(F) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) against any material part of the property, asset or revenues of the Issuer or any Principal Subsidiary and is not discharged within 30 days; or

(G) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any Principal Subsidiary (except for a members' voluntary solvent winding up of a Subsidiary) and such order is not discharged within 30 days, or the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or another Principal Subsidiary, whether due to a disposal of such Principal Subsidiary on an arm's length basis or otherwise; or

(H) *Insolvency*: the Issuer or any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any Principal Subsidiary; an administrator or liquidator of the Issuer or any Principal Subsidiary of the whole or any material part of the assets and revenue of the Issuer or any Principal Subsidiary is appointed (or application for any such appointment is made) and such appointment is not discharged within 30 days; or

(I) *Nationalisation*: any step is lawfully taken by a competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any Principal Subsidiary; or

(J) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order

(a) to enable the Issuer lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; or

(K) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(L) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(A) to 10(K).

For the purposes of this Condition 10, "**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) as to which one or more of the following conditions is satisfied:

(i) its revenue or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated revenue attributable to the Issuer is at least ten per cent. of the consolidated revenue of the Issuer and its Subsidiaries, including the Issuer and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(ii) its gross assets or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated gross assets attributable to the Issuer are at least ten per cent. of the sum of (x) the consolidated gross assets of the Issuer and its Subsidiaries, and (y) the Issuer and its consolidated Subsidiaries' share of the gross assets or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated gross assets of each Subsidiary of the Issuer whose accounts are not consolidated with the accounts of the Issuer and after adjustment for minority interests; or

(iii) its profit after tax or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated profit after tax attributable to the Issuer, is at least ten per cent. of the consolidated profit after tax of the Issuer and its Subsidiaries, including the Issuer and its consolidated Subsidiaries' share of profit after tax of Subsidiaries not consolidated and of associated companies and after adjustments for minority interests,

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) (or, if not available, the latest management accounts) of the Subsidiary of the Issuer and the then latest audited consolidated financial statements of the Issuer provided that: (A) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Issuer which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated revenue, gross assets and profit after tax shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer; (C) if, in the case of a Subsidiary, no accounts are audited, its revenue, gross assets and profit after tax (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and (D) if the accounts of a subsidiary of the Issuer

(not being a Subsidiary referred to in proviso (A) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary of the Issuer is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Issuer and its Subsidiaries; or

(b) to which is transferred all or substantially all of the assets of a Subsidiary of the Issuer which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (notwithstanding paragraph (a) above of this definition) and the Subsidiary of the Issuer to which the assets are so transferred shall become or remain a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of paragraph (a) above of this definition.

A certificate of a director of the Issuer who is also an Authorised Signatory certifying that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders. Any such certificate shall be accompanied by an extraction of the figures used and of the calculations made by the Issuer in determining the Principal Subsidiaries of the Issuer.

11 Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading newspaper having general circulation in Hong Kong or, if such publication is not practicable, in an English language newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal* or the *South China Morning Post*). Any such notice shall be deemed to have been given on the later of the date of such publication (and if published more than once, on the first date on which publication is made) and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.

12 Prescription

Claims in respect of amounts due in respect of the Bonds shall be prescribed and become void unless made as required by Condition 7 within five years (in the case of interest) and 10 years (in the case of principal or other sums payable hereunder) from the appropriate Relevant Date.

13 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security as the Issuer and the Registrar or such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Meetings of Bondholders, Modification, Waiver and Substitution

(A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds, or the dates on which interest is payable in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B) or 8(C) or to add any circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds, (iii) to reduce or cancel the principal amount, any premium payable or any interest payable in respect of the Bonds or changing the method of calculation of interest, (iv) to change the currency of denomination or payment of the Bonds, (v) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a written resolution signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of Bonds for the time being outstanding or (b) passed by Electronic Consent shall be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing or by Electronic Consent will be binding on all Bondholders whether or not they participated in such written resolution or Electronic Consent.

(B) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (together the "**Documentation**") which in the Trustee's opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or to comply with mandatory provisions of law, and (ii) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may (but shall not be obliged to), without the consent of the Bondholders, determine

any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11.

(C) Substitution

The Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition 14(C)) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer subject to (i) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, and (ii) the Bonds continuing to be convertible or exchangeable into Shares as provided in these Conditions *mutatis mutandis* as provided in these Conditions, subject to in any such case, certain other conditions as set out in the Trust Deed being complied with. Any such substitution shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11.

(D) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

15 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice to the Issuer, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it needs not take any such steps and/or actions and/or proceedings unless (A) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings or other action unless indemnified and/or secured and/or pre-funded of its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate from or any opinion or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto

entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice, in which case such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on its part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any instructions, direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or by way of written resolution or Electronic Consent.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

17 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price and the first payment of interest on them and the timing for the making of and complying with the requirements set out in these Conditions in relation to the CSRC Filing(s)) (such further bonds, the "**Additional Bonds**") and so that such further issue shall be consolidated and form a single series with the Bonds, provided that the aggregate principal amount of such Additional Bonds issued pursuant to this Condition 17, together with the aggregate principal amount of all other Bonds constituted by the Trust Deed, shall not exceed U.S.$500,000,000. References in these Conditions to the Bonds include (unless the context requires otherwise) any such further bonds issued pursuant to this Condition 17 and consolidated and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 15.

19 Governing Law and Submission to Jurisdiction

(A) Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(B) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Trust Deed and the Agency Agreement ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts and waived any objections to Proceedings in any such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate will contain provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which will modify the effect of the Terms and Conditions set out in this Information Memorandum. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (and any proxy or representative appointed by it) of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders, whereupon the Registrar shall procure the making of an appropriate entry in the schedule to the Global Certificate.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Right attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent or any other Conversion Agent of one or more Conversion Notices (as defined in the Terms and Conditions) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent or any other Conversion Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent (having first been notified, where relevant, by any other Conversion Agent to the Principal Agent) to the Registrar and the holder of the Global Certificate.

Payment

The Issuer, for value received, will pay to the registered holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions may become repayable in accordance with the Terms and Conditions) the amount payable upon redemption under the Terms and Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from the Issue Date in arrear at the

rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

Payments of principal and interest in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to holders of the Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions.

Bondholder's Redemption

The Bondholder's redemption options in Condition 8(C) (*Redemption for Delisting or Change of Control*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise (if required) within the time limits specified in the Terms and Conditions.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(B) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the presentation to any Paying Agent, or to the order of such Paying Agent, of a duly completed Tax Redemption Notice within the time limits set out in and containing the information required by Condition 8(B) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

DESCRIPTION OF THE SHARES

Set out below is certain information concerning the Shares and a summary of certain provisions of the Company's Bye-laws (the "**Bye-laws**"). This summary does not purport to be complete and is qualified in its entirety by reference to the Bye-laws. Any provision of the Bye-laws may be varied by a special resolution passed at a general meeting of the shareholders of the Company.

Meetings

An annual general meeting shall be called at not less than twenty-one (21) clear days' notice in writing. All other general meetings (including a special general meeting) shall be called by at least fourteen (14) clear days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location, the principal place of the meeting, (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting (which electronic facilities or electronic platform may vary from time to time and from meeting to meeting as the board, in its sole discretion, may see fit) or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting. In addition, notice of every general meeting shall be given to all shareholders of the Company other than such as, under the provisions of the Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the directors and auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all shareholders of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the shareholders of the Company having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll, every shareholder of the Company who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the fore-going purposes as paid up on the share. On a poll, a shareholder of the Company entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every shareholder of the Company present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder of the Company which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Where a show of hands is allowed, before or on the declaration of the results of the show of hands, a poll may be demanded by (i) the chairman of the meeting or (ii) at least three shareholders of the Company present in person or, in the case of a shareholder of the Company being a corporation, by its

duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any shareholder or shareholders of the Company present in person or, in the case of a shareholder of the Company being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders of the Company having the right to vote at the meeting or (iv) a shareholder or shareholders of the Company present in person or, in the case of a shareholder of the Company being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s) and in each case being a corporation) is a shareholder of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of shareholders of the Company provided that, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to speak and vote individually on a show of hands or a poll.

Where any shareholder of the Company is, under the rules of the Designated Stock Exchange (as de-fined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder of the Company in contravention of such requirement or restriction shall not be counted.

Variation of Rights of Existing Shares or Classes of Shares

Subject to the Companies Act (as amended) of Bermuda (the "**Bermuda Companies Law**"), all or any of the special rights attached to the shares or any class of shares may, unless otherwise provided for by the terms of issue of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a shareholder of the Company being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third of the issued shares of that class.

Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Transfer of Shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Bye-laws) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house

or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place at which the principal register is kept in accordance with the Bermuda Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), or by any means in such manner as may be accepted by the Designated Stock Exchange (as defined in the Bye-laws) to that effect be suspended at such times and for such periods as the board may determine. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

Share Repurchase

The Company is empowered by the Bermuda Companies Law and the Bye-laws to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Bye-laws).

Dividends and Other Methods of Distribution

Subject to the Bermuda Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The board may from time to time pay to the shareholders of the Company such interim dividends as appear to the board to be justified by the profits of the Company. The Bye-laws also provide that the Company in general meeting may make a distribution to the shareholders of the Company out of any contributed surplus (as ascertained in accordance with the Bermuda Companies Law).

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any shareholder of the Company or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if the board so determines) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be confiscated by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of

incorporation, its memorandum of association (including its objects and powers), any alteration to the company's memorandum of association. The shareholders of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day.

Except when the register of members is closed under the provisions of the Bermuda Companies Law, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by announcement or by electronic communication or by advertisement in any newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws) or by any means in such manner as may be accepted by the Designated Stock Exchange (as defined in the Bye-laws) close the register of members for any time or times not exceeding in the whole thirty days in a year. A company is required to maintain its register of members in Bermuda, however a company the shares of which are listed on an appointed stock exchange or have been offered to the public pursuant to a prospectus filed in accordance with the Bermuda Companies Law, or which is subject to the rules or regulations of a competent regulatory authority, may keep in any place outside Bermuda, one or more branch registers after giving written notice to the Bermuda Registrar of Companies of the place where each such register is to be kept. Any branch register of members established by any aforementioned company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part thereof which must be provided within 10 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Law.

A company is required to maintain a register of directors and officers at its registered office and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Law.

Where a company, the shares of which are listed on an appointed stock exchange, sends its summarised financial statements to its shareholders pursuant to section 87A of the Bermuda Companies Law, a copy of the full financial statements (as well as the summarised financial statements) must be made available for inspection by the public at the company's registered office of the company in Bermuda.

Protection of Minorities

Under Bermuda law, members of a company are entitled to have the affairs of the company conducted in accordance with general law and in particular with the company's memorandum of association and bye-laws.

Under the general rule known as the rule in *Foss v. Harbottle*, which is recognised in Bermuda, a court will generally refuse to interfere in the management of a company at the instance of a minority of its members who are dissatisfied with the conduct of the company's affairs by the majority or by the board of directors. The fundamental proposition of Bermuda law is that a minority member cannot sue for a wrong done to the company or bring proceedings to rectify an internal irregularity in circumstances where the majority can lawfully ratify the same.

Every member is, however, entitled to have the affairs of the company conducted properly according to law. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum of association or bye-laws, the court will grant relief. In general, the exceptions to the *Foss v. Harbottle* rule are as follows:

(i) the act complained of is *ultra vires* or illegal and not capable for ratification by the majority;

(ii) the act complained of constitutes a fraud on the minority where the wrongdoers control the company;

(iii) the act complained of constitutes an infringement of individual rights of members, such as the right to vote, pre-emption rights, etc.; and

(iv) where the company has not complied with provisions requiring that the relevant act be approved by a special or extraordinary majority of the members.

Where the act complained of is not *ultra vires* or illegal then a member cannot take action himself because it is an action which is capable of ratification by a majority of the members. However, if the claim by the members is that the directors have carried on an act which is *ultra vires* or illegal, then the member has a right of action on behalf of himself and others to sue the directors with any damages awarded going to the company itself.

Where the perpetrators of the act which constitutes the fraud against the minority are themselves in control of the company or where a resolution which requires a special or extraordinary majority has only been passed with a simple majority, it is open to the aggrieved member to take an action in his own name. While it is generally for the company to bring action against its directors for wrong doing, it is recognised that the company may be prevented from doing so where the wrongdoers have effective control of the company.

Any member of a company is entitled to complain that the affairs of the company are being conducted or have been conducted in a manner oppressive or unfairly prejudicial to the interests of the members or some number of them, and petition the Bermuda court to seek either a winding-up order or an alternative remedy if a winding-up order would be unfairly prejudicial to them. In considering whether to wind up a company, the Bermuda court will consider whether it is "just and equitable" to do so.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of loss or damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its members, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Bermuda Companies Law also provides that the Minister of Finance of Bermuda may at any time appoint one or more inspectors to investigate the affairs of an exempted company and to report on them in such manner as the Minister may direct. The inspector shall, on the completion of his investigation, report to the Minister and shall send copies of such reports to the company. However, no other person shall be informed of the nature or contents of the report save at the request of the company or on the direction of the Minister. Upon examining the inspector's report, the Minister may require the company to take such measures as he may consider necessary in relation to its affairs or direct the Registrar of Companies in Bermuda to petition the Bermuda court for the winding up of the company.

Procedures on Liquidation

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors (including contingent or prospective creditors) or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, the company shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up thereof.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be deemed a "members' voluntary winding up". In any case where such declaration has not been made, the winding up will be deemed a "creditors' voluntary winding up".

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Law for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator is at any time of the opinion that the company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up via a members' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account, and giving any explanation thereof. This final general meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the meeting the liquidator shall notify the Registrar of Companies in Bermuda that the company has been dissolved and the Registrar shall record that fact in accordance with the Bermuda Companies Law.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of the creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, the company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company and distributing the assets of the company, provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the members shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' voluntary winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year.

As soon as the affairs of the company are fully wound up via a creditors' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before the meetings, and giving any explanation thereof. Each such meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Registrar of Companies in Bermuda a copy of the account and make

a return to him in accordance with the Bermuda Companies Law. The company will be deemed to be dissolved on the expiration of three months from the registration by the Registrar of Companies in Bermuda of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

DIVIDENDS

Subject to the Bermuda Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The board may from time to time pay to the shareholders of the Company such interim dividends as appear to the board to be justified by the profits of the Company. The Bye-laws also provide that the Company in general meeting may make a distribution out of any contributed surplus (as ascertained in accordance with the Bermuda Companies Law).

No interim or final dividends were declared by the Company for the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024.

TAXATION

The following summary of certain PRC, Bermuda and Hong Kong tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Information Memorandum, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Information Memorandum are to be regarded as advice on the tax position of any holder of the Bonds or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

Bermuda

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by the Shareholders in respect of the Shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Company or to any its operations or to the Shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by us in Bermuda.

PRC

*The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes (the "**non-PRC Holders**"). In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.*

Taxation on Interest and dividends

The EIT Law and its implementation regulations, impose a withholding tax at the rate of 10% on interest paid to holders of the Bonds and dividends paid to holders of Shares that are "non-resident enterprises" so long as such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interests are sourced within China. The Company may be considered a PRC tax resident enterprise, as described in "*Risk Factors — Risks Relating to the PRC — The Issuer may be treated as a PRC tax resident enterprise under the EIT Law, which may subject the Issuer to PRC income taxes on the Issuer's worldwide income, require the Issuer to withhold tax on interest it pays on the Bonds and dividends it pays on the Shares and require holders of the Bonds and Shares to pay tax on gains realised from the sale of the Bonds and Shares.*". Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if the Company is considered a PRC resident enterprise, interest paid to non-resident enterprise holders of the Bonds and dividends paid to non-resident enterprises holders of Shares may be treated as income derived from sources within China and be subject to the PRC withholding tax at a rate of 10%. In the case of non-resident individual holders of the Bonds and Shares, the tax may be withheld at a rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Bonds and Shares.

Taxation on Capital Gains

The EIT Law and its implementation regulations, impose a tax at the rate of 10% on capital gains realised by holders of the Bonds and Shares that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if the Company is considered a PRC resident enterprise, the capital gains realised by holders of the Bonds and Shares may be treated as income derived from sources within China and be subject to the PRC tax at a rate of 10% (or possibly 20% in the case of non-resident individual holders of the Bonds and Shares). To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Bonds and Shares.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside Mainland China).

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and

redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issuance or transfer of a Bond.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement dated 22 October 2024 and a supplemental subscription agreement dated 28 October 2024 with Kale Asset Holding Ltd (the "**Subscriber**") (together, the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Company has agreed to sell to the Subscriber, and the Subscriber has agreed with the Company to subscribe and pay for the aggregate principal amount of the Bonds.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is a third party independent of the Company and is not a connected person (as defined in the Listing Rules) of the Company.

The Subscription Agreement provides that the obligations of the Subscriber are subject to certain conditions precedent.

GENERAL

The distribution of this Information Memorandum or any offering material and the offering, sale or delivery of the Bonds, the Shares deliverable upon conversion of the Bonds, are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Information Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Information Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

The Issuer does not make any representation that any action will be taken in any jurisdiction by the Issuer that would permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds, or possession or distribution of the Information Memorandum (in preliminary, proof or final form) or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds or the Shares deliverable upon conversion of the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds and the Shares to be delivered upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

HONG KONG

(i) The Bonds have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) No person has issued or had in its possession for the purposes of issue, or will issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Bonds will not be offered or sold or be made the subject of an invitation for subscription or purchase, nor will this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

PRC

The Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

BERMUDA

No offer or invitation may be made to the public in Bermuda to subscribe for the Bonds, and the Bonds have not been, and will not be, directly or indirectly, offered or sold to any person, firm or company regarded as a resident of Bermuda for exchange control purposes or in Bermuda.

GENERAL INFORMATION

Clearing Systems and Settlement

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 292753896 and the International Securities Identification Number for the Bonds is XS2927538962.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Company is 5299009HZHEY886D5W65.

Authorisations

The Company has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds and the right of conversion into Shares was authorised by the board of directors of the Company on 22 October 2024.

No Material Adverse Change

There has been no material adverse change, in the financial, trading position of the Group since 30 June 2024.

Litigation

From time to time, the Company and other members of the Group may be involved in litigation or other disputes that arise in the ordinary course of business. Other than as disclosed in this Information Memorandum, none of the Company or any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which the Group believes are material in the context of the Bonds, and the Company is not aware of any material litigation, disputes or arbitration proceedings that are currently pending or threatened.

Listing of Shares

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.

Listing of Bonds

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of any Bonds on, the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Bonds.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in foreign currencies).

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for definitive Bonds. In

addition, in the event that a Global Certificate is exchanged for definitive Bonds, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Bonds, including details of the paying agent in Singapore.

Available Documents

So long as any of the Bonds are outstanding, copies of the following documents will be available for inspection by Bondholders from the Issue Date at all reasonable times during usual business hours (being, for purposes of any inspection at the principal office of the Trustee as set out below, between 9:00 a.m. and 3:00 p.m.) at the Company's principal place of business in Hong Kong at Unit 3207, 32/ F, Champion Tower, 3 Garden Road, Central, Hong Kong and, in the case only of the last two documents mentioned below and following written request and proof of holding and identity to the satisfaction of the Trustee, at the principal office for the time being of the Trustee (being at the date of this Information Memorandum at 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong):

- copies of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2022 and 2023 and the unaudited consolidated financial information of the Company as at and for the six months ended 30 June 2024;
- the Agency Agreement; and
- the Trust Deed.

REGISTERED OFFICES OF THE ISSUER

REGISTERED OFFICE

Luye Pharma Group Ltd.
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC AND HONG KONG

Luye Pharma Group Ltd.
No. 15 Chuang Ye Road
High-tech Industrial Development Zone
Yantai, Shandong
264003
People's Republic of China

22/F, Gubei International Fortune Center II
Hongqiao Road 1438
Changning District, Shanghai
People's Republic of China

Unit 3207, 32/F, Champion Tower
3 Garden Road
Central
Hong Kong

PRINCIPAL AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre, Canada Square,
Canary Wharf, London E14 5LB
United Kingdom

TRUSTEE

Citicorp International Limited
40/F, Champion Tower,
3 Garden Road,
Central,
Hong Kong

REGISTRAR

Citicorp International Limited
9/F, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

LEGAL ADVISERS TO THE ISSUER

As to English and Hong Kong Law

Allen Overy Shearman Sterling
9/F, Three Exchange Square
Central
Hong Kong

As to PRC Law

AllBright Law Offices
6/F, Office Tower C1, Oriental Plaza,
No. 1 East Chang An Avenue
Dong Cheng District,
Beijing, 100738, PRC

As to Bermuda Law

Conyers Dill & Pearman
29th Floor,
One Exchange Square
8 Connaught Place, Central
Hong Kong

LEGAL ADVISER TO THE TRUSTEE

Linklaters
11/F Alexandra House
Chater Road
Hong Kong

LISTING AGENT

Allen Overy Shearman & Sterling LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321