THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Qyuns Therapeutics Co., Ltd.**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Qyuns Therapeutics Co., Ltd.
江蘇荃信生物醫藥股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2509)

(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEVELOPMENT AND POTENTIAL COMMERCIALIZATION PARTNERSHIP OF QX005N WITH ZHONGMEI HUADONG
(2) PROPOSED APPOINTMENT OF DIRECTORS AND NON-EMPLOYEE REPRESENTATIVE SUPERVISORS
AND
(3) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Opus Capital Limited 創富融資有限公司

A letter from the Board is set out on pages 6 to 25 of this circular.

The notice convening the EGM of Qyuns Therapeutics Co., Ltd. to be held at North Conference Room, 2nd Floor, Building 1, No.907 Yaocheng Avenue, Taizhou City, Jiangsu Province, the PRC on Friday, October 25, 2024 at 2:00 p.m. is set out in this circular. A form of proxy for use at the EGM are enclosed herewith and also published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.qyuns.net).

If you intend to appoint a proxy to attend the meeting, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the meeting (i.e. not later than 2:00 pm on Thursday, October 24, 2024 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion, signing and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof.

References to time and dates in this circular are to Hong Kong time and dates.

September 30, 2024

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Articles of Association"	the articles of association of the Company currently in force (as amended, modified or otherwise supplemented from time to time)
"Authorized Fields"	the fields where the Subject Product, alone or in combination with other products, is suitable for use in the diagnosis, prevention and treatment of all human diseases, for all indications, in any dosage form, in any dosage and in any packaging
"Authorized Territory"	the Greater China, including Mainland China, Hong Kong, Macau Special Administrative Region of China and Taiwan
"Board"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"Business Day"	any day other than (a) a Saturday or a Sunday or (b) a day on which commercial banking institutions are authorized or required by applicable laws to be closed in China
"Cellularforce"	Jiangsu Cellularforce Biotechnology Co., Ltd. (江蘇賽孚士生物技術有限公司), a company established in the PRC with limited liability on August 2, 2018 and an indirect non-wholly owned subsidiary of the Company which is owned as to 66% by Saifu Juli and 34% by Taizhou Huacheng
"Company"	Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司) a limited liability company incorporated in the PRC in 2015, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2509)
"connected person(s)"	has the meanings ascribed to them under the Listing Rules (as modified by the Stock Exchange from time to time)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Qiu, Mr. Yu Guo'an, Hangzhou Quanyi, Shanghai Quanyou and Xinfu Tongxin; and a Controlling Shareholder shall mean each or any of them
"Cooperation Agreement"	the Cooperation Agreement dated July 19, 2024 entered into by the Company and Zhongmei Huadong for joint development and commercialization of the Subject Product
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held at North Conference Room, 2nd Floor, Building 1, No.907 Yaocheng Avenue, Taizhou City, Jiangsu Province, the PRC on Friday, October 25, 2024 at 2:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Cooperation Agreement (including the transactions contemplated thereunder) and the appointment of the proposed Directors and non-employee representative Supervisors
"FTE"	the full-time equivalent of the annual workload (2,000 hours per year) of each of the parties' active employees directly related to the co-development of the Subject Product, prorated on a daily basis as necessary. The FTE is RMB400,000 per person/year in the case of Zhongmei Huadong and RMB300,000 per person/year in the case of the Company
"Group", "we", "us", or "our"	the Company and its subsidiaries
"Hangzhou Quanyi"	Hangzhou Quanyi Investment Management Partnership (General Partnership) (杭州荃毅投資管理合夥企業(普通合夥)), a general partnership established in the PRC on May 15, 2015 and one of our Controlling Shareholders, which is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both as its general partners acting in concert
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huadong Investment"	Huadong Medicine Investment Holding (Hong Kong Limited (華東醫藥投資控股(香港)有限公司), a company incorporated in Hong Kong with limited liability which is a substantial Shareholder of the Company, and a wholly-owned subsidiary of Huadong Medicine
"Huadong Medicine"	Huadong Medicine Co., Ltd. (華東醫藥股份有限公司), a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963.SZ)
"IND"	investigational new drug
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors
"Independent Financial Adviser" or "Opus Capital"	Opus Capital Limited (創富融資有限公司), a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose to advise the Independent Board Committee and the Independent Shareholders in respect of the Cooperation Agreement

"Independent Shareholders"	Shareholders of the Company other than Zhongmei Huadong and Huadong Investment
"IP Rights"	the IP rights of the Subject Product under the Cooperation Agreement, including patents, patent applications, designs, utility models, trademarks, domain names, copyrights, confidential information, trade secrets, trade names and other similar rights, and any interest in any of the foregoing (whether or not registered or enrolled, and shall include the granting of applications for the foregoing as well as the right to file applications for the foregoing anywhere in the world)
"JDC"	the Joint Development Committee to be formed by the Company and Zhongmei Huadong, comprised of six members (three members from each party), which will be the main management and executive body during the clinical cooperative development stage of the Subject Product. The JDC shall be established within one week from the date of signing the Cooperation Agreement
"JSC"	the Joint Supervision Committee to be formed by the Company and Zhongmei Huadong, comprised of six members (three members from each party), which will be responsible for coordinating product marketing, sales, production and commercialization related matters. The JSC shall be established within 12 months from the date of signing the Cooperation Agreement
"Latest Practicable Date"	September 24, 2024, being the latest practicable date for ascertaining certain information in this circular prior to its printing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAH"	marketing authorization holder
"Mr. Qiu"	Mr. Qiu Jiwan (裘霽宛), our founder, executive Director, chairman of our Board, our chief executive officer and general manager, and one of our Controlling Shareholders
"Net Sales"	the actual gross invoiced revenue from the sale of the Subject Product by the Company or its sub-licensees to third parties in the Authorized Territory, less the followings which may be deducted from the revenue of the Subject Product based on actual circumstances (if have not been deducted from the invoiced amount): (i) commercial discounts; (ii) refunds or discounts resulting from product returns or recalls; (iii) taxes, duties, or other governmental levies (excluding corporate income tax); and (iv) government mandatory discounts.

"Optional Right"	an exclusive optional right granted by the Company to Zhongmei Huadong to promote the Subject Product in the Authorized Territory and in the Authorized Fields
"PRC" or "China"	the People's Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Related Parties"	a person, corporation, partnership or other entity controlling it or controlled by it. "Control" (including, with related meanings, "being controlled" or "being under common control") means directing or managing a party, directly or indirectly, through one or more intermediaries, whether by holding 50% or more of the voting shares of a party, by agreement or other means
"RMB"	Renminbi, the lawful currency of the PRC
"Saifu Juli"	Taizhou Saifu Juli Biomedical Co., Ltd. (泰州市賽孚聚力生物醫藥有限公司), a company established in the PRC with limited liability on July 6, 2018 and a direct wholly owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shanghai Quanyou"	Shanghai Quanyou Fanyue Investment Management Partnership (Limited Partnership) (上海荃友凡悦投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on November 2, 2015 and one of our Controlling Shareholders, which is owned as to approximately 45.71% by Mr. Qiu as its general partner, 8.57% by Ms. Xu Qiu (許秋), the spouse of Mr. Qiu, as one of its limited partners, and 45.72% by three independent third parties as its other limited partners
"Share(s)"	ordinary share(s) of RMB1.00 each in the capital of the Company comprising the Unlisted Shares and the H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Product"	QX005N, a monoclonal antibody (mAb) blocking IL-4 R α and one of the Company's core products
"Supervisor(s)"	the supervisor(s) of the Company

"Taizhou Huacheng"	Taizhou Huacheng Medical Investment Group Co., Ltd. (泰州華誠醫學投資集團有限公司), a company established in the PRC and controlled by Taizhou Medicine City Holding Group Co., Ltd. (泰州醫藥城控股集團有限公司), a company wholly owned by the Management Committee of Taizhou Medical New and High-tech Industrial Development Zone (泰州醫藥高新技術產業開發區管理委員會), which is an administrative agency of Jiangsu Provincial Committee of the Communist Party of China (中國共產黨江蘇省委員會) and Jiangsu Provincial People's Government (江蘇省人民政府)
"VAT"	value-added tax
"Xinfu Tongxin"	Taizhou Xinfu Tongxin Enterprise Management Partnership (Limited Partnership) (泰州信孚同心企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 19, 2021, which is owned as to approximately 8.27% by Mr. Qiu as its general partner, approximately 11.38% by Xinfu Quanxin as one of its limited partners and approximately 80.35% by 37 employees of our Group as its limited partners, and is one of our employee share incentive platforms and one of our Controlling Shareholders;
"Zhongmei Huadong"	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司), a company established in the PRC with limited liability on December 31, 1992 and a wholly-owned subsidiary of Huadong Medicine, a substantial shareholder of the Company
"%"	per cent

Qyuns Therapeutics Co., Ltd.
江蘇荃信生物醫藥股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2509)

Registered office and headquarter in the PRC:
Room 1310, Building 1
No. 907 Yaocheng Avenue
Taizhou, Jiangsu
PRC

Principal Place of Business in Hong Kong:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

September 30, 2024

To the Shareholders

Dear Sir/Madam,

(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEVELOPMENT AND POTENTIAL COMMERCIALIZATION PARTNERSHIP OF QX005N WITH ZHONGMEI HUADONG (2) PROPOSED APPOINTMENT OF DIRECTORS AND NON-EMPLOYEE REPRESENTATIVE SUPERVISORS AND (3) NOTICE OF EGM

I. INTRODUCTION

The purpose of this circular is to provide you with further information in relation to the Cooperation Agreement including, inter alia, (i) details of the Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee), (ii) the Proposed Annual Caps; (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Cooperation Agreement (including the transactions contemplated thereunder), (v) further information in respect of the appointment of the proposed Directors and Supervisors and (vi) notice of EGM.

II. MATTERS TO BE RESOLVED AT THE EGM

1. Continuing Connected Transactions in Relation to the Development and Potential Commercialization Partnership of QX005N with Zhongmei Huadong

Reference is made to the announcement of the Company dated July 21, 2024 in relation to the entering into of the Cooperation Agreement between the Company and Zhongmei Huadong, a wholly-owned subsidiary of Huadong Medicine whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963.SZ), pursuant to which the Company has granted to Zhongmei Huadong, in the Authorized Territory and in the Authorized Fields, (i) an exclusive right to jointly develop the Subject Product; (ii) an exclusive optional right to promote the Subject Product (the "**Optional Right**"); and (iii) a right of first refusal for the transfer of MAH of the Subject Product.

The Subject Product, QX005N, is a monoclonal antibody (mAb) blocking IL-4Ra, which has been granted seven IND approvals for indications such as atopic dermatitis, prurigo nodularis and chronic rhinosinusitis with nasal polyps.

Under the Cooperation Agreement, Zhongmei Huadong will co-develop the Subject Product together with the Company, including clinical and non-clinical studies as well as registration related work. If Zhongmei Huadong exercises the Optional Right, it will be responsible for the marketing and promotion of the Subject Product in the Authorized Territory, whereas the Company, acting as the MAH in the Authorized Territory, will be responsible for the supply and quality control of the Subject Product and its clinical trial samples, which will be produced by Cellularforce, an indirect non-wholly owned subsidiary of the Company.

The scope of cooperation will cover clinical trials of the following indications: (i) Phase III and related extended treatment studies in adults with atopic dermatitis ("**AD**"); and (ii) Phase III and related studies of extended treatment of prurigo nodularis ("**PN**"). The development of other indications (including other indications that have already received IND approvals and other potential new indications) will be subject to discussion and unanimous approval by the JDC and written confirmation of both parties.

It would be in the best interest of our Group to collaborate with a business partner that is a large pharmaceutical company with strong development and commercialization capabilities nationwide as well as abundant clinical resources to accelerate the development of the Subject Product. It is also in line with industry practice and commercially beneficial for our Group since the cooperation with Zhongmei Huadong is conducive to (i) fully expanding multiple indications of the Subject Product to unleash the value of the product; (ii) accelerating the development progress of the existing Phase III clinical trials of the Subject Product and bringing more financial support to the Group; and (iii) enhancing the commercialization potential of the Subject Product in the future. The Cooperation Agreement allows our Group to leverage the resources and existing capabilities of Zhongmei Huadong to establish an advantageous position in relevant markets expeditiously and enhance the Group's long-term growth potential and comprehensive competitiveness.

a. The Cooperation Agreement

The principal terms of the Cooperation Agreement are set out below:

Parties: (1) Zhongmei Huadong; and

(2) the Company

Term: From July 19, 2024 until 15 years after the marketing authorization is granted for the first indication of the Subject Product. The term is automatically renewable for 5 years after the expiration of the above period.

Conditions precedent: The Cooperation Agreement is conditional upon:

(1) full compliance with the Listing Rules with respect to the Cooperation Agreement (and the transactions contemplated thereunder) by the Company; and

(2) the Independent Shareholders having passed the resolution at the EGM for approving the Cooperation Agreement (and the transactions contemplated thereunder).

Cooperation arrangement: During the term of the Cooperation Agreement, the Company will grant to Zhongmei Huadong, in the Authorized Territory and in the Authorized Fields, (i) an exclusive right to jointly develop the Subject Product (ii) the Optional Right; and (iii) a right of first refusal for the transfer of MAH of the Subject Product. Below sets out the details of these rights.

(a) Exclusive rights to jointly develop the Subject Product:

(i) collaborating with the Company on conducting clinical and non-clinical studies related to the Subject Product; (ii) collaborating with the Company to prepare and submit data or information relating to the Subject Product for obtaining the regulatory approval for clinical trials and to obtain, support or maintain regulatory approval for the Subject Product;

(b) Optional Right:

(i) exclusively promoting the indications for the Subject Product for which marketing authorization has been obtained; (ii) conducting activities related to market access; (iii) conducting centralized marketing and medical affairs activities related to the Subject Product; and (iv) other rights and obligations as set out in the Cooperation Agreement.

During the period from the effective date of the Cooperation Agreement until six months after the marketing authorization application for the Subject Product has been submitted and accepted by the regulatory authority, Zhongmei Huadong shall decide whether to exercise this Optional Right and shall notify the Company in writing.

(c) Right of first refusal for the transfer of MAH:

In the event that the Company intends to transfer the MAH to a third party or receives an invitation from a third party for such transfer, Zhongmei Huadong shall have the right of first refusal in the transfer of MAH of the Subject Product under the same conditions of cooperation, and both parties shall make their best efforts to negotiate amicably and sign a formal agreement for the transfer. In the event that a third party is willing to participate in the negotiation of the transfer of the MAH, Zhongmei Huadong shall have the right to decide whether to exercise the right of first refusal for the transfer of MAH within 30 Business Days upon receipt of the third-party cooperation proposal.

Under the Cooperation Agreement, both parties will be jointly responsible for the clinical development and registration of the Subject Product. The Company has the exclusive right to develop and market the Subject Product outside the Authorized Territory or the Authorized Fields. Moreover, being the MAH of the Subject Product, the Company will be responsible for the manufacturing, distribution and pharmacovigilance of the Subject Product.

If Zhongmei Huadong chooses to exercise the Optional Right, Zhongmei Huadong will also have a right to sublicense all or part of this right to any third party after obtaining the Company's written consent. No such consent is required if Zhongmei Huadong sublicenses to its Related Parties.

Within 18 months prior to the commercialization of the Subject Product, the Company shall enter into an entrusted production and processing agreement with Cellularforce, and a commercialization supply agreement with Zhongmei Huadong.

To facilitate the cooperation arrangement, two committees will be established, namely the Joint Development Committee ("**JDC**") and the Joint Supervision Committee ("**JSC**"), to manage and supervise clinical development and commercialization of the Subject Product, respectively. Each of these committee will comprise of six members, of which each party will appoint three members respectively.

The cost/profit sharing arrangement between the Company and Zhongmei Huadong will be as follows:

(1) Before commercialization of the Subject Product, each party is responsible for 50% of the following clinical development and registration fees (the "**Clinical Development and Registration Fee**"):

a. Clinical expenses which shall include the costs of the following activities involved in the clinical trials of the Subject Product approved by the JDC, including insurance of the Subject Product, patient recruitment, access to clinical trial organization and all related expenses required to conduct clinical trials, conference fees, expert fees, hospitality and travelling expenses, hospital equipment and supplies, reproductive toxicity study expenses, FTE expenses incurred by both parties to support the above activities, services provided by third party service providers, and other relevant expenses incurred in relation to the above activities as approved by the JDC; and

b. Registration fees which shall include all expenses related to registration activities conducted for the purpose of marketing the Subject Product, including evaluation fees and related fees of the National Institutes for Food and Drug Control (中國食品藥品檢定研究院).

The JDC shall develop clinical protocols and budgets throughout the entire clinical trials. The JDC will convene quarterly meetings to confirm the clinical expenses incurred during that quarter.

(2) Upon and after commercialization of the Subject Product, should Zhongmei Huadong exercise the Optional Right, the Company shall pay to Zhongmei Huadong an exclusive marketing service fee (tax inclusive) (the "**Marketing Service Fee**"), which shall be equivalent to Net Sales revenue generated from the sale of the Subject Project x marketing service fee rate. The marketing service fee rate shall be negotiated based on the commercial value of the Subject Product and the parties will enter into a supplemental agreement(s) to agree on the marketing service fee rate before commercialization of the Subject Product. Further announcement will be made when the supplemental agreement is entered into. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules, including independent shareholders' approval.

Payment terms:

(1) Before commercialization of the Subject Product:

a. All the Clinical Development and Registration Fee incurred shall be paid by the Company in advance.

b. After the Subject Product has achieved the following milestones, Zhongmei Huadong will pay the Company the following registration milestone payment (tax-exclusive) within 30 Business Days after the achievement of the relevant milestone, less any expenses for clinical development and registration incurred by Zhongmei Huadong:

Event	**AD in adults**	**PN**
First patient dosing in Phase III clinical study in China	RMB30.0 million	RMB15.0 million
Last patient dosing in Phase III clinical study in China	RMB20.0 million	RMB15.0 million
Independent Review Committee's written confirmation of achievement of the primary clinical endpoint	RMB20.0 million	RMB15.0 million

c. Remaining clinical development fees: Within 30 Business Days after Zhongmei Huadong and the Company having received the Phase III clinical study report, the study of which is conducted with the JDC's approval, officially issued by a research organization for any single indication of the Subject Product, and obtained a positive result compared with the placebo, Zhongmei Huadong shall pay the Company the remaining clinical development fees which is equivalent to 50% of the clinical expenses for the indication confirmed by the JDC less the corresponding milestone payment that Zhongmei Huadong has already made. The remaining clinical development fees of each indication shall be calculated individually.

d. Within 30 Business Days after the Subject Product is granted marketing approval, Zhongmei Huadong shall pay the Company 50% of the registration fee as confirmed by the JDC.

(2) Upon and after commercialization of the Subject Product:

a. Within five days after the end of each month, both parties shall confirm the Net Sales amount received in the previous month and the Company shall pay Zhongmei Huadong the Marketing Service Fee of that month.

b. Within the first month after the end of each sales year, both parties shall confirm the annual Net Sales amount received of the previous sales year and the Company shall pay Zhongmei Huadong for any shortfall of the Marketing Service Fee. If the Company has previously paid excess Marketing Service Fee during the annual review, such excess shall be deducted in the next payment to be made by the Company.

c. In the event of discrepancies in the Net Sales amount between the parties, it shall first be confirmed through negotiation. If no consensus is reached, a mutually agreed annual audit firm may be appointed to conduct a special audit, the result of which is binding on the parties.

d. The Company shall bear the costs of commercial distribution of the Subject Product and taxes and fees in circulation process.

IP Rights:

The Company will grant Zhongmei Huadong a non-exclusive license to use the IP rights solely owned by the Company set forth in the Cooperation Agreement, provided that the use of such IP rights shall be limited for the intended marketing and promotion services.

After the Cooperation Agreement becomes effective, any intellectual property rights and technical secrets jointly developed by both parties in relation to the Subject Product (the "**Joint IP Rights**") shall be jointly owned by both parties. Each party will grant to other party an exclusive license under the Cooperation Agreement to the other party to use the Joint IP Rights solely for the purpose of commercialization of the Subject Product. The Company shall have the right to use the Joint IP Rights outside the Authorized Territory at nil consideration.

Termination:

The Cooperation Agreement may be terminated by mutual agreement by both parties or either party shall have the right to terminate the Cooperation Agreement immediately upon written notice to the other party upon the occurrence of: (i) the other party becoming insolvent, being adjudicated bankrupt, filing a petition for bankruptcy (whether voluntary or not), transferring assets for the benefit of creditors, other similar relief or losing the financial ability to perform its obligations hereunder; and (ii) the foregoing is not eliminated within 90 days from the date of such occurrence.

In the event that (i) the Subject Product eventually fails to obtain the marketing approval from the National Medical Products Administration (國家藥品監督管理局), or (ii) Zhongmei Huadong chooses not to exercise the Optional Right, or (iii) Zhongmei Huadong exercises the Optional Right but the parties are unable to agree on the rate of the Marketing Service Fee, Zhongmei Huadong shall have the right to unilaterally terminate the Cooperation Agreement by giving a 30-day written notice. The Company shall return the payment received in full to Zhongmei Huadong, and shall pay Zhongmei Huadong an interest of 5% per annum on the entire amount paid. Zhongmei Huadong shall return all the project-related information and materials to the Company, and shall cease to have any interest in the project.

When determining the sharing of the Clinical Development and Registration Fee, the parties considered that it is industry practice, on normal commercial terms, and no less favorable than terms available to independent parties for each party to be responsible for 50% of the Clinical Development and Registration Fee. This 50% sharing arrangement aims to ensure that both parties would make balanced dedication and bear balanced risk to the development of the Subject Product, and is determined after arm's length negotiations between the parties with reference to, among other matters, the prevailing industry practice in similar co-development projects. In determining the cost sharing portion amongst the parties, the Board had taken into account the key terms of other similar cooperation arrangements adopted by biotech companies listed on the Stock Exchange. Although the terms of these comparable transactions are not completely identical, it is noted that certain biotech companies with similar cooperation arrangement had also adopted a cost sharing ratio of 50:50. The Board considered that this equal sharing of the Clinical Development and Registration Fee, together with other terms under the Cooperation Agreement, may effectively result in an equitable sharing of the financial exposure with Zhongmei Huadong in respect of the cost to be incurred in the pre-commercialization stage of the Subject Product. Zhongmei Huadong and the Company also enjoy equal power in the JDC and the JSC, which would supervise the parties' contribution to the Subject Product. Therefore, the Board considers that the 50% sharing arrangement is in the interests of the Company because it can utilize the financial support and clinical support for joint development of the Subject Product before Zhongmei Huadong declares to exercise the Optional Right and before the parties determine the formula for the Marketing Service Fee upon the commercialization of the Subject Product. Hence the Company may reduce its financial risk in respect of the development of the Subject Product.

The Board considered that the clinical development and registration milestone payment arrangement is industry practice and on normal and commercial terms. Considering the long span and high cost of Phase III clinical trials of the Subject Product, the Company has requested payment milestones to be split in three stages and associated with the progress of the clinical trials and expenses to be incurred in order to control the risk the Company may face and to enhance certainty of the cooperation, and Zhongmei Huadong has agreed with such milestone payment arrangement. The first payment milestone for AD in adults and PN, namely the first patient dosing in Phase III clinical study in China, has been achieved in May 2024, which indicates the commencement of the Phase III clinical trial. The second payment milestone for AD in adults and PN, namely the last patient dosing in Phase III clinical study in China, indicates the completion of patient enrollment. The last payment milestone for AD in adults and PN, namely the written confirmation by the Independent Review Committee, indicates the achievement of the primary endpoint data read-out of Phase III.

When determining each milestone payment amount, the Company has factored in the expected clinical expenses payable to be incurred that correspond with the occurrence of the relevant milestone event, including but not limited to research center test fee, clinical research coordinator (CRC) service fee, contract research organization (CRO) service fee, labour costs, central laboratory fee and patient recruitment service fee. Upon reaching the last payment milestone event for AD in adults and PN, namely the written confirmation by the Independent Review Committee, the estimated clinical expenses incurred will be no more than RMB230 million. Since Zhongmei Huadong is responsible for 50% of the aforementioned expenses, the total development and registration milestone payment to be shared is around RMB115 million. The Board considered that the milestone payment arrangement would effectively control the risk borne by the Company and ensure the success of the cooperation.

If the Subject Project is not commercialized ultimately, the Company shall return the payment received in full to Zhongmei Huadong, and shall pay Zhongmei Huadong an interest of 5% per annum, which benchmarks against the long-term Loan Prime Rate ("**LPR**") announced by the People's Bank of China of 3.85% when the Cooperation Agreement was entered into with a risk premium, on the entire amount paid. The Board considered such 5% annual interest rate is on normal and commercial terms taking into account the LPR announced by the People's Bank of China with a risk premium, the inherent uncertainties associated with the commercialization of the Subject Product and the inherent risks involved in private credit unsecured lending by Zhongmei Huadong. The Board considered that the above arrangement is on normal and commercial terms and for the interest of the Shareholders as a whole after taking into account that: (i) the Company is the MAH of the Subject Product in accordance with the Cooperation Agreement, who shall undertake all responsibilities for development of the Subject Product (including non-clinical studies, clinical trials, manufacture and distribution, monitoring, and handling of adverse drug reactions) pursuant to Article 30 of the PRC Drug Administration Law (中華人民共和國藥品管理法) that was promulgated and became effective in December 2019; (ii) by utilizing the experience of Zhongmei Huadong gained from other clinical programs, we believe its early involvement at the pre-commercialization stage will enhance the success rate of and facilitate the development of the Subject Product, including assistance with trial protocol optimization and enhancement, communication with principal investigators and experts, and patient recruitment of the clinical trials; (iii) the early payment of Zhongmei Huadong at the pre-commercialization stage can relax the cashflow requirement for the Phase III clinical trials of the Subject Product; and (iv) such terms of annual interest rate are not less favorable than those available from independent parties who may provide financial assistance to the Company.

b. Proposed Annual Caps and Basis of the Clinical Development and Registration Fee

There was no historical figures of transactions that could be made reference to when determining the cap amount.

The sharing of 50% of the Clinical Development and Registration Fee between the Company and Zhongmei Huadong is determined after arm's length negotiations between the parties with reference to the prevailing market rates for joint development of the Subject Products. Our Directors estimate that for each of the three years ending December 31, 2026, the amount of the Clinical Development and Registration Fee (tax exclusive) payable by Zhongmei Huadong to the Company under the Cooperation Agreement will not exceed RMB45 million, RMB70 million and RMB135 million, respectively (collectively, the "**Proposed Annual Caps**"). In arriving at the above estimated cap for expenses to be incurred before commercialization, the Directors have made reference to the industry practices and budget for clinical studies, and considered: (i) the first milestone for AD in adults and PN, namely the first patient dosing in Phase III clinical study in China, has been achieved in May 2024; (ii) the second and third milestones for AD in adults and PN, namely the last patient dosing in Phase III clinical study in China and obtaining the Independent Review Committee's written confirmation of achievement of the primary clinical endpoint, shall be completed by the end of 2025; and (iii) the remaining clinical development fees of the estimated sum of no more than RMB135 million, including research center test fee, clinical research coordinator (CRC) service fee, contract research organization (CRO) service fee, labour costs, central laboratory fee and fees of related extended treatment studies of AD in adults and PN, are expected to be paid by Zhongmei Huadong to the Company by the end of 2026. The total Clinical Development and Registration Fee to be incurred under the Cooperation Agreement is expected to be around RMB500 million based on the budget covering the total clinical expenses. The amount of the remaining clinical development fees was deducted from the 50% of the Clinical Development and Registration Fee to be paid by Zhongmei Huadong (i.e., RMB250 million) by the estimated total registration milestone payment under the Cooperation Agreement (i.e., RMB115 million). If any further Clinical Development and Registration Fee will be incurred after three years ending December 31, 2026, the Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules to set annual cap(s).

When determining the formula for the Marketing Service Fee, the parties will make reference to factors including, among others, the reasons and benefits for entering into the cooperation arrangement, the prevailing market practices of the sharing ratio in relation to the cooperation arrangement as well as the proportion of costs to revenue to be incurred by both parties. There will be no Marketing Service Fee incurred from the date of signing the Cooperation Agreement to the commercialization of the Subject Product in the Authorized Territory and in the Authorized Fields.

c. Internal Control

The Group has adopted the following internal control procedures to manage the continuing connected transactions and annual cap for the Clinical Development and Registration Fee under the Cooperation Agreement:

(a) regarding the management of the annual caps for continuing connected transactions for the Clinical Development and Registration Fee, the finance department of the Company and the Board would monitor the actual amount of continuing connected transactions through the connected transactions ledger to ensure that the amount does not exceed the approved annual caps. Once the limit is about to be exceeded, the Company would initiate compliance procedures as required under Chapter 14 of the Listing Rules immediately.

(b) regarding the transactions under the Cooperation Agreement, the parties would supervise and guide the implementation through establishing the JDC and the JSC.

(c) the Cooperation Agreement has set out the audit mechanism, i.e., if both parties have any disagreement over the clinical expenses or the Net Sales to be generated, they may liaise with internal auditing or third-party professional auditing organizations to conduct special audits to enable the parties to ultimately reach a consensus.

(d) the internal audit department of the Company, under the guidance of the Audit Committee, would conduct special verification on notifiable transactions and connected transactions on a half-yearly basis to ensure compliance with the requirements of the Listing Rules and the Company's internal system.

(e) the Company's auditors will be engaged in accordance with Chapter 14A of the Listing Rules to report on the continuing connected transactions of the Company as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual caps.

(f) the independent non-executive Directors would conduct an annual review (which is subject to the annual review and disclosure requirements under the Listing Rules) to confirm that the Clinical Development and Registration Fee under the Cooperation Agreement are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) the transactions are conducted in accordance with the Cooperation Agreement, of which the terms are fair and reasonable as well as in the interests of the shareholders as a whole.

d. Reasons for and Benefits of the Transactions

Zhongmei Huadong is wholly owned by Huadong Medicine, a leading PRC pharmaceutical company with over 30 years of experience covering the whole pharmaceutical industrial chain, is a suitable business partner for our Group due to their strong development and commercialization capabilities at a national level. We believe that this collaboration could utilize Zhongmei Huadong's abundant clinical resources and marketing network in autoimmune and allergic diseases, along with their experience in chronic disease management.

Moreover, the Cooperation Agreement could enable both parties to leverage their strengths and share the value of the Subject Product proportionate to their respective contributions in R&D and sales and marketing. This approach aligns with industry practice and is beneficial for our Group since the cooperation with Zhongmei Huadong will facilitate the full exploration of the potential value of the Subject Product, bring more financial support to our Group and enhance the efficiency of our internal financial resources.

Additionally, the Cooperation Agreement facilitates risks and costs sharing in advancing clinical trials and commercialization of the Subject Product. It enables the pooling of resources and capabilities from both parties to establish a competitive position in relevant markets expeditiously, to accelerate the development of the Subject Product, and to enhance the Group's long-term growth potential and comprehensive competitiveness.

e. Information of the Parties

The Company

The Company is a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline and an established commercial-scale in-house manufacturing capability.

Zhongmei Huadong

Zhongmei Huadong is a company established in the PRC, a substantial shareholder of the Company and a wholly-owned subsidiary of Huadong Medicine. Zhongmei Huadong principally engaged in the development, manufacturing and sales of pharmaceutical products. Zhongmei Huadong is also our commercialization partner for joint development and exclusive commercialization of QX001S, one of the Company's key products in China since August 2020.

f. Listing Rules Implications

As at the Latest Practicable Date, Zhongmei Huadong is our substantial shareholder holding 16.17% of the issued share capital of the Company and is therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into the Cooperation Agreement and the sharing of the Clinical Development and Registration Fee would constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (other than the profit ratio) in respect of the Proposed Annual Caps of the Clinical Development and Registration Fee payable by Zhongmei Huadong to the Company exceeds 5%, the payments are subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event Zhongmei Huadong exercises the Optional Right, the payment of the Marketing Service Fee will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The parties will enter into supplemental agreement(s) to determine the marketing service fee rate before commercialization of the Subject Product and the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules, including independent shareholders' approval.

Mr. Yu Xi, a non-executive Director, is the general manager of investment department at Huadong Medicine, the parent company of Zhongmei Huadong. For good corporate governance practice, Mr. Yu Xi has abstained from voting on the board resolution approving the transactions contemplated under the Cooperation Agreement.

Waiver from strict compliance with Rule 14A.52 of the Listing Rules

Since the timing of granting the first indication of the Subject Product is unanticipated, the Cooperation Agreement does not have a fixed term. The Company has applied for and was granted a waiver from strict compliance with Rule 14A.52 of the Listing Rules such that the term of the Cooperation Agreement can be of an unspecified term, on the following grounds and the same conditions:

(a) The Company has practical difficulties in anticipating the commencement date of commercialization of the Subject Product. The commercialization can only be started after the marketing authorization is obtained. However, the timing of obtaining the marketing authorization depends on the clinical development progress and the marketing authorization application process. As such, the Company is unable to anticipate when the marketing authorization will grant the first indication of the Subject Product.

(b) There are strong commercial reasons for the Cooperation Agreement to be at a longer term. The reason for entering into the Cooperation Agreement is for the Company to jointly develop and to commercialize (in the event the Optional Right is exercised) the Subject Product in the Authorized Territory and in the Authorized Fields. Such cooperation is long term in nature. Imposing a restriction on the term of the Cooperation Agreement for a period of three years would be contrary to the business intention of the parties. In addition, it is not uncommon in the market for the similar cooperation agreement to be entered into with an unspecified term.

(c) The Company is of the view that the term of the Cooperation Agreement is in the interests of the Company and the Shareholders as a whole. As the Subject Product will be one of the Group's core products, it is necessary for the continuation of the marketing of the Subject Product without any material disruption. It ensures that the Company will continue to receive and enjoy the economic benefits derived from the Subject Product.

(d) Notwithstanding the term of the Cooperation Agreement is for an unspecified term, the annual caps for the research and development cost sharing has been set for the three years ending December 31, 2026. Supplemental agreement will be entered into before commercialization to determine the marketing service fee and the annual caps. All the above and the subsequent renewal will be subject to independent shareholders' approval at a general meeting of the Company. Full details, together with the views of the Independent Financial Adviser, will be provided in circulars for shareholders to make an informed decision.

(e) Details of this waiver has been disclosed in this circular to be despatched and the actual transaction amount will be set out in the subsequent annual reports of the Company.

2. Proposed Appointment of Directors and Non-Employee Representative Supervisors

Reference is made to the announcement of the Company dated August 15, 2024 in relation to the proposed appointment of Directors and non-employee representative Supervisors.

A. Directors

Given that the term of the first session of the Board will expire in September 2024, in order to maintain the normal operation of the Board, in accordance with the Company Law of the People's Republic of China and our Articles of Association, the Board proposed at the Board meeting held on August 15, 2024 the appointment of Mr. Qiu Jiwan, Mr. Wu Yiliang and Mr. Lin Weidong as executive Directors of the second session of the Board, the appointment of Mr. Yu Xi, Mr. Wu Zhiqiang and Dr. Xue Mingyu as non-executive Directors of the second session of the Board, and the appointment of Dr. Zou Zhongmei, Dr. Ling Jianqun and Mr. Fung Che Wai, Anthony as independent non-executive Directors of the second session of the Board. The Directors of the second session of the Board shall serve for a term of three years commencing from the date on which the relevant resolution are considered and approved at the EGM of the Company, and shall be eligible for re-election upon expiry of their terms of office.

Biographical details of the above Directors are set out in Appendix II to this Circular.

B. Supervisors

Given that the term of the first session of the Board of Supervisors of the Company will expire in September 2024, in order to maintain the normal operation of the Board of Supervisors, in accordance with the Company Law of the People's Republic of China and our Articles of Association, the Board of Supervisors proposed at the meeting of the Board of Supervisors held on August 15, 2024 the appointment of Mr. Ye Xiang and Dr. Ding Chao as the non-employee representative Supervisors of the second session of the Board of Supervisors. The Supervisors above will form the second session of the Board of Supervisors of the Company together with the employee representative Supervisor elected at the employee representative meeting of the Company. The Supervisors of the second session of the Board of Supervisors shall serve for a term of three years commencing from the date on which the relevant resolution are considered and approved at the EGM of the Company, and shall be eligible for re-election upon expiry of their terms of office.

Biographical details of the Supervisors above are set out in Appendix III to this Circular.

III. EGM AND VOTING METHOD

A notice convening the EGM is set out on pages 74 to 76 of this circular, at which 12 ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee) and the proposed appointment of Directors and non-employee representative Supervisors. The EGM will be convened at North Conference Room, 2nd Floor, Building 1, No.907 Yaocheng Avenue, Taizhou City, Jiangsu Province, the PRC on Friday, October 25, 2024 at 2:00 p.m..

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to read the notice of EGM and to complete the form of proxy enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the resolutions set out in the notice of EGM shall be voted by poll. Voting by the Shareholders may be given either personally or by proxy.

As at the Latest Practicable Date, Zhongmei Huadong held 35,900,000 shares of the Company, representing approximately 16.17% of the issued share capital of the Company. Huadong Investment, which is wholly-owned by Huadong Medicine, held 1,976,800 shares of the Company, representing approximately 0.89% of the issued share capital of the Company. Accordingly, Zhongmei Huadong and Huadong Investment are required to abstain from voting on the resolution to approve the Cooperation Agreement at the EGM.

As far as the Directors are aware, having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions referred to above at the EGM.

The Independent Board Committee comprising Dr. Zou Zhongmei, Dr. Ling Jianqun and Mr. Fung Che Wai, Anthony, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Cooperation Agreement and the transactions contemplated thereunder and the Proposed Annual Caps related thereto. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

IV. RECORD DATE

The record date for entitlement to attend and vote at the EGM is Wednesday, October 9, 2024.

In order to qualify for attending and voting at the EGM, all unregistered holders of H shares of the Company shall lodge transfer documents accompanied by the relevant share certificates with the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Wednesday, October 9, 2024.

V. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would render any statement herein or this circular misleading.

VI. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 26 of this circular and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 58 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Cooperation Agreement and the transactions contemplated thereunder and the Proposed Annual Caps related thereto.

Having considered the principal factors and reasons stated in the letter of advice from the Independent Financial Adviser, the Independent Board Committee considers that Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee), the transactions contemplated thereunder and the Proposed Annual Caps related thereto are fair and reasonable and on normal commercial terms or better, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee) and the Proposed Annual Caps related thereto.

The Board considers that the proposed appointment of Mr. Qiu Jiwan, Mr. Wu Yiliang and Mr. Lin Weidong as executive Directors of the second session of the Board, the appointment of Mr. Yu Xi, Mr. Wu Zhiqiang and Dr. Xue Mingyu as non-executive Directors of the second session of the Board, and the appointment of Dr. Zou Zhongmei, Dr. Ling Jianqun and Mr. Fung Che Wai, Anthony as independent non-executive Directors of the second session of the Board is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommend the Shareholders to vote in favor of the relevant resolutions in the EGM held to consider and if thought fit, to approve, among others, the appointment of the Directors aforementioned.

The Board of Supervisors considers that the proposed appointment of Mr. Ye Xiang and Dr. Ding Chao as the non-employee representative Supervisors of the second session of the Board of Supervisors is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board of Supervisors recommend the Shareholders to vote in favor of the relevant resolutions in the EGM held to consider and if thought fit, to approve, among others, the appointment of the Supervisors aforementioned.

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Qyuns Therapeutics Co., Ltd.
Qiu Jiwan
Chairman of the Board and Executive Director

Qyuns Therapeutics Co., Ltd.
江蘇荃信生物醫藥股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2509)

September 30, 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEVELOPMENT AND POTENTIAL COMMERCIALIZATION PARTNERSHIP OF QX005N WITH ZHONGMEI HUADONG

We refer to the circular of the Company dated September 30, 2024 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the independent Shareholders in respect of the Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee) and the Proposed Annual Caps. Opus Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, we consider the terms of the Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee) and the Proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the independent Shareholders vote in favour of the resolution in relation to the Cooperation Agreement (including the transactions contemplated thereunder, other than the payment of the Marketing Service Fee) and the Proposed Annual Caps at the EGM.

Yours faithfully
For and on behalf of the Independent Board Committee of
Qyuns Therapeutics Co., Ltd.

Dr. Zou Zhongmei	**Dr. Ling Jianqun**	**Mr. Fung Che Wai, Anthony**
Independent non-executive director	*Independent non-executive director*	*Independent non-executive director*

The following is the full text of the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in relation to the Cooperation Agreement, which has been prepared for the purpose of inclusion in this circular.

Opus Capital Limited 創富融資有限公司

18th Floor, EC Healthcare Tower (Central),
19-20 Connaught Road Central
Central, Hong Kong

September 30, 2024

To: the Independent Board Committee and
the Independent Shareholders of Qyuns Therapeutics Co., Ltd.

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEVELOPMENT AND POTENTIAL COMMERCIALIZATION PARTNERSHIP OF QX005N WITH ZHONGMEI HUADONG

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including the proposed annual caps of the Clinical Development and Registration Fee payable by Zhongmei Huadong to the Company for the three years ending December 31 ("**FY**"), 2026 (the "**Proposed Annual Caps**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated September 30, 2024 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated July 21, 2024, where the Board announced on July 19, 2024, the Company entered into a Cooperation Agreement with Zhongmei Huadong, a wholly-owned subsidiary of Huadong Medicine whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963.SZ), pursuant to which the Company has granted to Zhongmei Huadong, in the Authorized Territory and in the Authorized Fields, (i) an exclusive right to jointly develop the Subject Product; (ii) the Optional Right to promote the Subject Product; and (iii) a right of first refusal for the transfer of MAH of the Subject Product.

The Subject Product, QX005N, is a monoclonal antibody (mAb) blocking IL-4R α , which has been granted seven IND approvals for indications such as atopic dermatitis ("**AD**"), prurigo nodularis ("**PN**") and chronic rhinosinusitis with nasal polyps.

Under the Cooperation Agreement, Zhongmei Huadong will co-develop the Subject Product together with the Company, including clinical, non-clinical studies as well as registration related work. If Zhongmei Huadong exercises the Optional Right, it will be responsible for the marketing and promotion of the Subject Product in the Authorized Territory, whereas the Company, acting as the MAH in the Authorized Territory, will be responsible for the supply and quality control of the Subject Product and its clinical trial samples, which will be produced by Cellularforce, an indirect non-wholly owned subsidiary of the Company.

The scope of cooperation will cover clinical trials of the following indications: (i) Phase III and related extended treatment studies in adults with AD; and (ii) Phase III and related studies of extended treatment of PN. The development of other indications (including other indications that have already received IND approvals and other potential new indications) will be subject to discussion and unanimous approval by the JDC and written confirmation of both parties.

As at the Latest Practicable Date, Zhongmei Huadong is a substantial shareholder holding approximately 16.17% of the issued share capital of the Company and is therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into the Cooperation Agreement and the sharing of the Clinical Development and Registration Fee would constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios (other than the profit ratio) in respect of the Proposed Annual Caps exceeds 5%, the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including the Proposed Annual Caps) are subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yu Xi, a non-executive Director, is the general manager of investment department at Huadong Medicine, the parent company of Zhongmei Huadong. For good corporate governance practice, Mr. Yu Xi has abstained from voting on the board resolution approving the transactions contemplated under the Cooperation Agreement.

Since the timing of granting the first indication of the Subject Product is unanticipated, the Cooperation Agreement does not have a fixed term. The Company has applied for and was granted a waiver from strict compliance with Rule 14A.52 of the Listing Rules such that the term of the Cooperation Agreement can be of an unspecified term, on the following grounds the same conditions:

(a) The Company has practical difficulties in anticipating the commencement date of commercialization of the Subject Product. The commercialization can only be started after the marketing authorization is obtained. However, the timing of obtaining the marketing authorization depends on the clinical development progress and the marketing authorization application process. As such, the Company is unable to anticipate when will the marketing authorization grant the first indication of the Subject Product.

(b) There are strong commercial reasons for the Cooperation Agreement to be at a longer term. The reason for entering into the Cooperation Agreement is for the Company to jointly develop and to commercialize (in the event the Optional Right is exercised) the Subject Product in the Authorized Territory and in the Authorized Fields. Such cooperation is long term in nature. Imposing a restriction on the term of the Cooperation Agreement for a period of three years would be contrary to the business intention of the parties. In addition, it is not uncommon in the market for the similar cooperation agreement to be entered into with an unspecified term.

(c) The Company is of the view that the term of the Cooperation Agreement is in the interests of the Company and the Shareholders as a whole. As the Subject Product will be one of the Group's core products, it is necessary for the continuation of the marketing of the Subject Product without any material disruption. It ensures that the Company will continue to receive and enjoy the economic benefits derived from the Subject Product.

(d) Notwithstanding the term of the Cooperation Agreement is for an unspecified term, the annual caps for the research and development cost sharing has been set for the three years ending December 31, 2026. Supplemental agreement will be entered into before commercialization to determine the marketing service fee and the annual caps. All the above and the subsequent renewal will be subject to independent shareholders' approval at a general meeting of the Company. Full details, together with the views of the Independent Financial Adviser, will be provided in circulars for shareholders to make an informed decision.

(e) Details of this waiver has been disclosed in this circular to be despatched and the actual transaction amount will be set out in the subsequent annual reports of the Company.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including the Proposed Annual Caps).

As at the Latest Practicable Date, Zhongmei Huadong held 35,900,000 shares of the Company, representing approximately 16.17% of the issued share capital of the Company. Huadong Investment, which is wholly-owned by Huadong Medicine, held 1,976,800 shares of the Company, representing approximately 0.89% of the issued share capital of the Company. Accordingly, Zhongmei Huadong and Huadong Investment are required to abstain from voting on the resolution to approve the Cooperation Agreement at the EGM.

As far as the Directors are aware, having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions referred to above at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising three independent non-executive Directors, namely Dr. Zou Zhongmei, Dr. Ling Jianqun and Mr. Fung Che Wai, Anthony, has been established by the Company for the purpose of advising the Independent Shareholders on: (i) whether the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee) are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how they should vote on the relevant resolution at the EGM. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company, the Group, Zhongmei Huadong, Huadong Medicine or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable (as the case may be) to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Group, Zhongmei Huadong, Huadong Medicine or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the annual report of the Company for FY2023 (the "**2023 Annual Report**");

(ii) the Cooperation Agreement; and

(iii) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implications on the Group as a result of entering into the Cooperation Agreement.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including the Proposed Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including the Proposed Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company, founded in 2015, is a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline and an established commercial-scale in-house manufacturing capability. The H Shares of the Company were successfully listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on March 20, 2024. The Company has two core products, QX002N and QX005N, both of which are self-developed. QX002N is an IL-17A inhibitor and the Company is conducting a Phase III clinical trial for ankylosing spondylitis in China. QX005N is a monoclonal antibody (mAb) blocking IL-4Ra with two phase III clinical trials in progress, for atopic dermatitis and prurigo nodularis, respectively.

2. Information of Zhongmei Huadong

Zhongmei Huadong is a company established in the PRC, a substantial shareholder of the Company and a wholly-owned subsidiary of Huadong Medicine. Zhongmei Huadong is principally engaged in the development, manufacturing and sales of pharmaceutical products. Zhongmei Huadong is also the Group's commercialization partner for joint development and exclusive commercialization of QX001S, one of the Company's key products in China since August 2020.

We note from the Company's prospectus dated March 12, 2024, Huadong Medicine is a leading PRC pharmaceutical company, whose business covers the whole pharmaceutical industrial chain, integrating research and development ("**R&D**"), manufacturing and sales of medicine. The Company regards the collaboration with Huadong Medicine (including Zhongmei Huadong) would enable the Group to leverage their market access, nationwide sales and marketing network of targeting the autoimmune and allergic disease field as well as their extensive experience in chronic disease management, which will be crucial to support rapid commercialization of QX001S.

3. Principal terms of the Cooperation Agreement

As referred to in the Letter from the Board, the principal terms of the Cooperation Agreement are set out below:

Parties:	(1) Zhongmei Huadong; and (2) the Company
Term:	From July 19, 2024 until 15 years after the marketing authorization is granted for the first indication of the Subject Product. The term is automatically renewable for 5 years after the expiration of the above period.
Conditions precedent:	The Cooperation Agreement is conditional upon: (1) full compliance with the Listing Rules with respect to the Cooperation Agreement (and the transactions contemplated thereunder) by the Company; and (2) the Independent Shareholders having passed the resolution at the EGM for approving the Cooperation Agreement (and the transactions contemplated thereunder).

Cooperation arrangement: During the term of the Cooperation Agreement, the Company will grant to Zhongmei Huadong, in the Authorized Territory and in the Authorized Fields, (i) an exclusive right to jointly develop the Subject Product; (ii) the Optional Right; and (iii) a right of first refusal for the transfer of MAH of the Subject Product. Below sets out the details of these rights.

(a) Exclusive rights to jointly develop the Subject Product:

(i) collaborating with the Company on conducting clinical and non-clinical studies related to the Subject Product; (ii) collaborating with the Company to prepare and submit data or information relating to the Subject Product for obtaining the regulatory approval for clinical trials and to obtain, support or maintain regulatory approval for the Subject Product.

(b) Optional Right:

(i) exclusively promoting the indications of the Subject Product which has obtained marketing authorization; (ii) conducting activities related to market access; (iii) conducting centralized marketing and medical affairs activities related to the Subject Product; and (iv) other rights and obligations as set out in the Cooperation Agreement.

During the period from the effective date of the Cooperation Agreement until six months after the marketing authorization application for the Subject Product has been submitted and accepted by the regulatory authority, Zhongmei Huadong shall decide whether to exercise this Optional Right and shall notify the Company in writing.

(c) Right of first refusal for the transfer of MAH:

In the event that the Company intends to transfer the MAH to a third party or receives an invitation from a third party for such transfer, Zhongmei Huadong shall have the right of first refusal in the transfer of MAH of the Subject Product under the same conditions of cooperation, and both parties shall make their best efforts to negotiate amicably and sign a formal agreement for the transfer. In the event that a third party is willing to participate in the negotiation of the transfer of the MAH, Zhongmei Huadong shall have the right to decide whether to exercise the right of first refusal for the transfer of MAH within 30 Business Days upon receipt of the third-party cooperation proposal.

Under the Cooperation Agreement, both parties will be jointly responsible for the clinical development and registration of the Subject Product. The Company has the exclusive right to develop and market the Subject Product outside the Authorized Territory and the Authorized Fields. Moreover, being the MAH of the Subject Product, the Company will be responsible for the manufacturing, distribution and pharmacovigilance of the Subject Product.

If Zhongmei Huadong chooses to exercise the Optional Right, Zhongmei Huadong will also have a right to sublicense all or part of this right to any third party after obtaining the Company's written consent. No such consent is required if Zhongmei Huadong sublicenses to its Related Parties.

Within 18 months prior to the commercialization of the Subject Product, the Company shall enter into an entrusted production and processing agreement with Cellularforce, and a commercialization supply agreement with Zhongmei Huadong.

To facilitate the cooperation arrangement, two committees will be established, namely the Joint Development Committee (the "**JDC**") and the Joint Supervision Committee (the "**JSC**"), to manage and supervise clinical development and commercialization of the Subject Product, respectively. Each of these committee will comprise of six members, of which each party will appoint three members respectively.

The cost/profit sharing arrangement between the Company and Zhongmei Huadong will be as follows:

(1) Before commercialization of the Subject Product, each party is responsible for 50% of the following clinical development and registration fees (the "**Clinical Development and Registration Fee**"):

a. Clinical expenses which shall include the costs of the following activities involved in the clinical trials of the Subject Product approved by the JDC, including insurance of the Subject Product, patient recruitment, access to clinical trial organization and all related expenses required to conduct clinical trials, conference fees, expert fees, hospitality and travelling expenses, hospital equipment and supplies, reproductive toxicity study expenses, FTE expenses incurred by both parties to support the above activities, services provided by third party service providers, and other relevant expenses incurred in relation to the above activities as approved by the JDC; and

b. Registration fees which shall include all expenses related to registration activities conducted for the purpose of marketing the Subject Product, including evaluation fees and related fees of the National Institutes for Food and Drug Control (中國食品藥品檢定研究院).

The JDC shall develop clinical protocols and budgets throughout the entire clinical trials. The JDC will convene quarterly meetings to confirm the clinical expenses incurred during that quarter.

(2) Upon and after commercialization of the Subject Product, should Zhongmei Huadong exercise the Optional Right, the Company shall pay to Zhongmei Huadong an exclusive marketing service fee (tax inclusive) (the "**Marketing Service Fee**"), which shall be equivalent to Net Sales revenue generated from the sale of the Subject Project x marketing service fee rate. The marketing service fee rate shall be negotiated based on the commercial value of the Subject Product and the parties will enter into a supplemental agreement(s) to agree on the marketing service fee rate before commercialization of the Subject Product. Further announcement will be made when the supplemental agreement is entered into. The Company will comply with the applicable requirements under Chapter 14A of the Listing Rules, including independent shareholders' approval.

Payment terms:

(1) Before commercialization of the Subject Product:

a. All the Clinical Development and Registration Fee incurred shall be paid by the Company in advance.

b. After the Subject Product has achieved the following milestones, Zhongmei Huadong will pay the Company the following registration milestone payment (tax exclusive) within 30 Business Days after the achievement of the relevant milestone, less any expenses for clinical development and registration incurred by Zhongmei Huadong:

Event	**AD in adults**	**PN**
First patient dosing in Phase III clinical study in China	RMB30.0 million	RMB15.0 million
Last patient dosing in Phase III clinical study in China	RMB20.0 million	RMB15.0 million
Independent Review Committee's written confirmation of achievement of the primary clinical endpoint	RMB20.0 million	RMB15.0 million

c. Remaining clinical development fees: Within 30 Business Days after Zhongmei Huadong and the Company having received the Phase III clinical study report, the study of which is conducted with the JDC's approval, officially issued by a research organization for any single indication of the Subject Product, and obtained a positive result compared with the placebo, Zhongmei Huadong shall pay the Company the remaining clinical development fees which is equivalent to 50% of the clinical expenses for the indication confirmed by the JDC less the corresponding milestone payment that Zhongmei Huadong has already made. The remaining clinical development fees of each indication shall be calculated individually.

d. Within 30 Business Days after the Subject Product is granted marketing approval, Zhongmei Huadong shall pay the Company 50% of the registration fees as confirmed by the JDC.

(2) Upon and after commercialization of the Subject Product:

a. Within five days after the end of each month, both parties shall confirm the Net Sales amount received in the previous month and the Company shall pay Zhongmei Huadong the Marketing Service Fee of that month.

b. Within the first month after the end of each sales year, both parties shall confirm the annual Net Sales amount received of the previous sales year and the Company shall pay Zhongmei Huadong for any shortfall of the Marketing Service Fee. If the Company has previously paid excess Marketing Service Fee during the annual review, such excess shall be deducted in the next payment to be made by the Company.

c. In the event of discrepancies in the Net Sales amount between the parties, it shall first be confirmed through negotiation. If no consensus is reached, a mutually agreed annual audit firm may be appointed to conduct a special audit, the result of which is binding on the parties.

d. The Company shall bear the costs of commercial distribution of the Subject Product and taxes and fees in circulation process.

IP Rights: The Company will grant Zhongmei Huadong a non-exclusive license to use the IP rights solely owned by the Company set forth in the Cooperation Agreement, provided that the use of such IP rights shall be limited for the intended marketing and promotion services.

After the Cooperation Agreement becomes effective, any intellectual property rights and technical secrets jointly developed by both parties in relation to the Subject Product (the "**Joint IP Rights**") shall be jointly owned by both parties. Each party will grant to other party an exclusive license under the Cooperation Agreement to the other party to use the Joint IP Rights solely for the purpose of commercialization of the Subject Product. The Company shall have the right to use the Joint IP Rights outside the Authorized Territory at nil consideration.

Termination: The Cooperation Agreement may be terminated by mutual agreement by both parties or either party shall have the right to terminate the Cooperation Agreement immediately upon written notice to the other party upon the occurrence of: (i) the other party becoming insolvent, being adjudicated bankrupt, filing a petition for bankruptcy (whether voluntary or not), transferring assets for the benefit of creditors, other similar relief or losing the financial ability to perform its obligations hereunder; and (ii) the foregoing is not eliminated within 90 days from the date of such occurrence.

In the event that (i) the Subject Product eventually fails to obtain the marketing approval from the National Medical Products Administration (國家藥品監督管理局) (the "**NMPA**"), or (ii) Zhongmei Huadong chooses not to exercise the Optional Right, or (iii) Zhongmei Huadong exercises the Optional Right but the parties are unable to agree on the rate of the Marketing Service Fee, Zhongmei Huadong shall have the right to unilaterally terminate the Cooperation Agreement by giving a 30-day written notice. The Company shall return the payment received in full to Zhongmei Huadong, and shall pay Zhongmei Huadong an interest of 5% per annum on the entire amount paid. Zhongmei Huadong shall return all the project-related information and materials to the Company, and shall cease to have any interest in the project.

When determining the sharing of the Clinical Development and Registration Fee, the parties considered that it is industry practice, on normal commercial terms, and no less favorable than terms available to independent parties for each party to be responsible for 50% of the Clinical Development and Registration Fee. This 50% sharing arrangement aims to ensure that both parties would make balanced dedication and bear balanced risk to the development of the Subject Product, and is determined after arm's length negotiations between the parties with reference to, among other matters, the prevailing industry practice in similar co-development projects. In determining the cost sharing portion amongst the parties, the Board had taken into account the key terms of other similar cooperation arrangements adopted by biotech companies listed on the Stock Exchange. Although the terms of these comparable transactions are not completely identical, it is noted that certain biotech companies with similar cooperation arrangement had also adopted a cost sharing ratio of 50:50. The Board considered that this equal sharing of the Clinical Development and Registration Fee, together with other terms under the Cooperation Agreement, may effectively result in an equitable sharing of the financial exposure with Zhongmei Huadong in respect of the cost to be incurred in the pre-commercialization stage of the Subject Product. Zhongmei Huadong and the Company also enjoy equal power in the JDC and the JSC, which would supervise the parties' contribution to the Subject Product. Therefore, the Board considers that the 50% sharing arrangement is in the interests of the Company because it can utilize the financial support and clinical support for joint development of the Subject Product before Zhongmei Huadong declares to exercise the Optional Right and before the parties determine the formula for the Marketing Service Fee upon the commercialization of the Subject Product. Hence the Company may reduce its financial risk in respect of the development of the Subject Product.

The Board considered that the clinical development and registration milestone payment arrangement is industry practice and on normal and commercial terms. Considering the long span and high cost of Phase III clinical trials of the Subject Product, the Company has requested payment milestones to be split in three stages and associated with the progress of the clinical trials and expenses to be incurred in order to control the risk the Company may face and to enhance certainty of the cooperation, and Zhongmei Huadong has agreed with such milestone payment arrangement. The first payment milestone for AD in adults and PN, namely the first patient dosing in Phase III clinical study in China, has been achieved in May 2024, which indicates the commencement of the Phase III clinical trial. The second payment milestone for AD in adults and PN, namely the last patient dosing in Phase III clinical study in China, indicates the completion of patient enrollment. The last payment milestone for AD in adults and PN, namely the written confirmation by the Independent Review Committee, indicates the achievement of the primary endpoint data read-out of Phase III.

When determining each milestone payment amount, the Company has factored in the expected clinical expenses payable to be incurred that correspond with the occurrence of the relevant milestone event, including but not limited to research center test fee, clinical research coordinator (CRC) service fee, contract research organization (CRO) service fee, labour costs, central laboratory fee and patient recruitment service fee. Upon reaching the last payment milestone event for AD in adults and PN, namely the written confirmation by the Independent Review Committee, the estimated clinical expenses incurred will be no more than RMB230 million. Since Zhongmei Huadong is responsible for 50% of the aforementioned expenses, the total development and registration milestone payment to be shared is around RMB115 million. The Board considered that the milestone payment arrangement would effectively control the risk borne by the Company and ensure the success of the cooperation.

If the Subject Project is not commercialized ultimately, the Company shall return the payment received in full to Zhongmei Huadong, and shall pay Zhongmei Huadong an interest of 5% per annum, which benchmarks against the long-term Loan Prime Rate ("**LPR**") announced by the People's Bank of China of 3.85% when the Cooperation Agreement was entered into with a risk premium, on the entire amount paid. The Board considered such 5% annual interest rate is on normal and commercial terms taking into account the LPR announced by the People's Bank of China with a risk premium, the inherent uncertainties associated with the commercialization of the Subject Product and the inherent risks involved in private credit unsecured lending by Zhongmei Huadong. The Board considered that the above arrangement is on normal and commercial terms and for the interest of the Shareholders as a whole after taking into account that: (i) the Company is the MAH of the Subject Product in accordance with the Cooperation Agreement, who shall undertake all responsibilities for development of the Subject Product (including non-clinical studies, clinical trials, manufacture and distribution, monitoring, and handling of adverse drug reactions) pursuant to Article 30 of the PRC Drug Administration Law (中華人民共和國藥品管理法) that was promulgated and became effective in December 2019; (ii) by utilizing the experience of Zhongmei Huadong gained from other clinical programs, we believe its early involvement at the pre-commercialization stage will enhance the success rate of and facilitate the development of the Subject Product, including assistance with trial protocol optimization and enhancement, communication with principal investigators and experts, and patient recruitment of the clinical trials; (iii) the early payment of Zhongmei Huadong at the pre-commercialization stage can relax the cashflow requirement for the Phase III clinical trials of the Subject Product; and (iv) such terms of annual interest rate are not less favorable than those available from independent parties who may provide financial assistance to the Company.

Our assessment

We have obtained and reviewed the Cooperation Agreement, and note that the Cooperation Agreement establishes a robust framework for collaboration, designed to harness the unique strengths and resources of both parties, thereby maximizing the potential for developing the Subject Product under the clinical trials for Phase III studies associated with AD in adults and PN and commercializing the Subject Project. The Cooperation Agreement delineates the parties' responsibilities clearly, ensuring that both the Company and Zhongmei Huadong are equally committed to the development and commercialization of the Subject Product, which fosters a balanced partnership. We note the transactions contemplated under the Cooperation Agreement are broadly in line with international trends that biotech companies would seek to co-develop candidate medicines with large pharmaceutical companies to not only to reduce R&D costs and risks, but also help the biotech to quickly gain market advantage. It is generally recognized that strategic partners of the large pharmaceutical companies can provide a strong boost to biotech companies' expansion, including expertise and technology, speed, flexibility and a lower cost structure. We note there is an extensive coverage of various forms of partnering deals in the global life science sector on the database maintained at Current Partnering, a leading publisher of life science partnering deal terms and best practice, as well as an online magazine for life science deal makers with website link: https://www.currentpartnering.com/insight/. We found that there is an abundance of diverse partnering/cooperation approaches taken by different international life science companies, with no universal or "one-size-fits-all" approach. When we say diverse approaches, we do not mean that "each term" of the partnering/cooperation projects is different, we mean that "each combination of terms" of the partnering/cooperation projects is very different. Therefore, Independent Shareholders should note that each life science partnering deal has its own unique features so the relevant deal structures and combinations of terms under each deal can only be compared generally to those of the Cooperation Agreement and serve as a reference only.

We note that that the Cooperation Agreement includes cost/profit sharing arrangements between the Company and Zhongmei Huadong, which ensure that both parties are incentivized. The Clinical Development and Registration Fee shall be shared equitably, with the Company initially covering these costs and Zhongmei Huadong reimbursing 50% upon achieving specific predefined milestones. This cost sharing arrangement promotes the interests of both parties and ensures fair risks and costs sharing. Additionally, the inclusion of milestone-based funding and performance metrics adds a layer of accountability, reducing the risks associated with the development of the Subject Product.

Besides, to facilitate the cooperation arrangement, there is the inclusion of the JDC and the JSC in the Cooperation Agreement, which ensures that both parties remain aligned and accountable throughout the product development and commercialization phases. This structured oversight promotes transparency and efficiency, which are crucial for maintaining confidence and maximizing the potential return on investment for both parties. Furthermore, we also noticed that the Cooperation Agreement clearly defines how IP developed during the collaboration will be owned, protected, and utilized, ensuring that both parties can benefit from the innovations resulting from their joint efforts. This clarity in IP rights allocation is essential for fostering innovation while protecting the interests of the Company.

Moreover, upon and after commercialization of the Subject Product, the Cooperation Agreement includes the element of Marketing Service Fee which is directly linked to the Net Sales of the Subject Product, provides Zhongmei Huadong the reward and incentive for its efforts contributing to the commercial success of the Subject Product. This ensures that both parties are financially motivated to achieve successful commercialization, benefitting both parties through potential revenue growth from a well-coordinated and risk-managed partnership. Shareholders should however note, the rate of the Marketing Service Fee will be further negotiated between the parties based on the commercial value of the Subject Product and the parties will enter into supplemental agreement(s) to agree on the rate of the Marketing Service Fee before commercialization of the Subject Product. As there will be possible future payments of Marking Service Fee from the Company to Zhongmei Huadong, a connected person, as and when the Subject Product commercializes, the Company will be required to comply with then prevailing Listing Rules requirements.

Pursuant to the terms of the Cooperation Agreement, the Joint IP Rights jointly developed by both parties in relation to the Subject Product shall be jointly owned by both parties. Each party will grant to other party an exclusive license under the Cooperation Agreement to the other party to use the Joint IP Rights solely for the purpose of commercialization of the Subject Product.

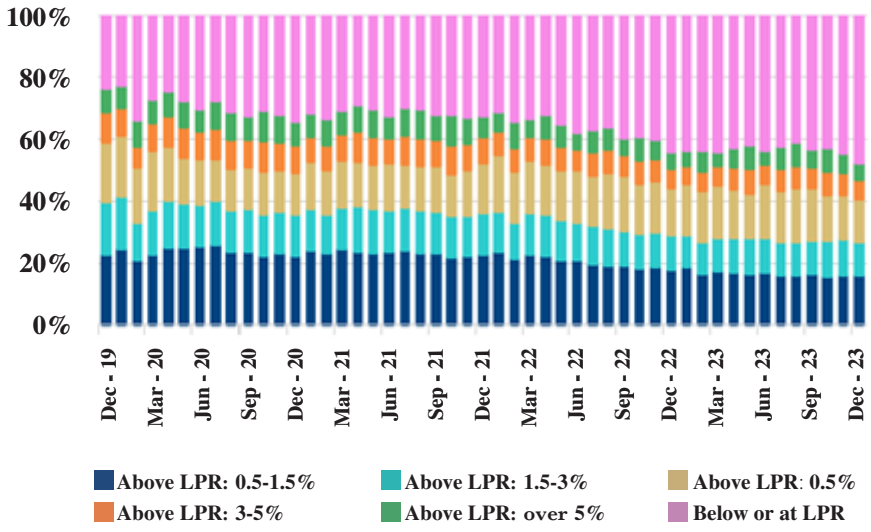
We note that the termination clause of the Cooperation Agreement also includes provisions for a refund of the payment of its portion of the Clinical Development and Registration Fee made by Zhongmei Huadong plus an interest of 5% per annum on the amounts paid by Zhongmei Huadong in the event of unilateral termination by Zhongmei Huadong should (i) the Subject Product eventually fails to obtain the marketing approval from the NMPA, or (ii) Zhongmei Huadong chooses not to exercise the Optional Right, or (iii) Zhongmei Huadong exercises the Optional Right but the parties are unable to agree on the rate of the Marketing Service Fee. In this case, we consider that the collection of Zhongmei Huadong's portion of the Clinical Development and Registration Fee can be regarded as an unsecured loan with an interest rate of 5%, where in the event of the commercialization of the Subject Product fails to meet the expectation of Zhongmei Huadong from a commercial standpoint, Zhongmei Huadong would require to recover such loan from the Company.

Moreover, we are given to understand this clause from two different angles. On the one hand, the Company would nevertheless be required to develop the Subject Product, and Zhongmei Huadong's cost-sharing in the co-development would aid such R&D efforts but should the Subject Product fail to obtain the marketing approval from the NMPA (i.e. item (i) set out above), it means that the Subject Product does not worth the commercialization efforts and the entire Clinical Development and Registration Fee shall be borne by the Company alone. Furthermore, as discussed with the Management, they highlighted that, in accordance with common market practices and the relevant PRC laws and regulations, the marketing service provider of the Subject Product (in this case, Zhongmei Huadong under the Cooperation Agreement), does not take the responsibility for the success of development of the Subject Product. Instead, this responsibility largely rests with the MAH of the Subject Product (in this case, the Company under the Cooperation Agreement). We note the PRC Drug Administration Law revised and implemented in 2019 formally established the drug MAH system. Under this system, the MAHs, not the marketing service provider, shall be responsible for non-clinical research, clinical trials, production and operation, post-marketing research, adverse reaction monitoring, reporting and processing of drugs in accordance with the provisions of the relevant laws and regulations. Independent Shareholders should note however, should the Subject Product successfully proceed to obtain the marketing approval from the NMPA, and Zhongmei Huadong opt to exercise the Optional Right, there shall be no refund of the relevant portion of the Clinical Development and Registration Fee.

On the other hand, if Zhongmei Huadong chooses not to exercise the Optional Right or that it exercises the Optional Right but the parties are unable to agree on the rate of the Marketing Service Fee (i.e. items (ii) and (iii) set out above), although the Company would be required to provide the refund (plus interest) to Zhongmei Huadong, the Company can be released from the Cooperation Agreement and opt to cooperate with a different strategic partner to promote the Subject Product that values the Subject Product and can commercially agree to the rate of the Marketing Service Fee with the Company. In fact, as discussed with the Management, in the latter, the Company can negotiate with the new strategic partner on upfront payments to be cover part of the costs involved in the termination of the Cooperation Agreement thereby providing flexibility to the Company.

In assessing the interest of 5% per annum to be charged on the amounts paid by Zhongmei Huadong in the event of unilateral termination by Zhongmei Huadong, we firstly note as set out in the 2023 Annual Report, the fixed interest rates of the Company's borrowings ranged from approximately 3.3% to 4.2%, and therefore the 5% interest to be charged, if applicable, in the event of a refund to Zhongmei Huadong under the Cooperation Agreement, is just higher than the Company's borrowing interest rates and that of the 5-year LPR of 3.85% quoted by the People's Bank of China when the Cooperation Agreement was entered into. We consider such higher interest rate under the Cooperation Agreement reflects the inherent uncertainties associated with the commercialization of the Subject Product as well as the inherent risks involved in private credit unsecured lending by Zhongmei Huadong, which is neither a bank nor a financial institution. Private credit is essentially non-bank corporate credit provided through bilateral agreements outside of the traditional borrowing channels of debt securities or commercial banks. Independent Shareholders should note that the 5-year LPR of 3.85% quoted by the People's Bank of China is a risk-free benchmark rate and should only be considered as the floor of interest rates available to the Company. Banks would charge a higher interest rate to the Company, let alone Zhongmei Huadong is a private lender, which would propose a higher rate than 3.85%, so the 5%, only being marginally higher than 3.85%, to be charged on the amounts paid by Zhongmei Huadong in the event of unilateral termination by Zhongmei Huadong should be viewed in a positive light. Furthermore, based on the research statistics as shown in Chart 1 below by the National Financial Regulatory Administration (國家金融監督管理總局) (the "**NFRA**") (formerly the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and BBVA Research, an independent research firm for research and economic analysis covering different countries in the Americas, Europe and Asia with a team of over 100 analysts producing reports and forecasts for topics such as banking, the digital economy and geostrategy, the middle distribution of the surveyed lending rates by Chinese banks at December 2023 was 3-5% above the LPR. Based on the above, we are of the view that the 5% rate to be charged on the amounts paid by Zhongmei Huadong in the event of unilateral termination by Zhongmei Huadong is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Chart 1: Statistics of Chinese lending rates over and below LPR



Source: the NFRA and BBVA Research

To further assess the fair and reasonableness of the terms of the Cooperation Agreement from a Hong Kong listed companies perspective, and as part of our work done, we have identified partnering/cooperation agreements (the "**Comparable Agreements**") which mainly involved the joint R&D, manufacturing and/or commercialization of drug candidate(s), as disclosed in the prospectuses of the companies listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules since 1 January 2023 (the "**18A Research Criteria**"). Based on the 18A Research Criteria, we have exhaustively identified 2 Comparable Agreements and there had not been any adjustment, filtering or removal of samples.

Given that there were only 2 Comparable Agreements based on the 18A Research Criteria, we have, with best endeavour, further expanded our research by conducting a desktop search focus on the published prospectuses, announcements and circulars of all pharmaceutical and biotech companies listed on the Main Board of the Stock Exchange that has disclosed partnering/cooperation agreements mainly involved the joint R&D, manufacturing and/or commercialization of drug candidate(s) that were entered into since 1 January 2010 (the "**General Research Criteria**"). Based on the General Research Criteria, we have identified another 6 Comparable Agreements, which, together with the 2 Comparable Agreements we have identified based on the 18A Research Criteria as discussed in the paragraph above, there are 8 Comparable Agreements in total and there had not been any adjustment, filtering or removal of samples. We have focused our research on six key terms of the Comparable Agreements which we can draw comparison against those of the Cooperation Agreement, namely term of agreement, sharing of R&D expenses, whether there are market service fees (or other revenue/profit sharing arrangements), development milestone payments, payment terms (i.e. upfront payment/prepayment or reimbursement) and whether there are refund arrangements when R&D project fails.

However, one should note there are inherent limitations to our research. Firstly, not all of prospectuses/announcements/circulars have disclosed each and every detail of the key terms of the Comparable Agreements that can draw comparison with those of the Cooperation Agreement. Such lack of disclosures somewhat limits our ability to perform a thorough comparative analysis. Also, each drug candidate in the biotech field is unique, which means that the terms of the Comparable Agreements around them are equally distinctive. The terms of such Comparable Agreements are shaped by a variety of factors, including the specific attributes of the drug candidate and the bargaining power of each party involved. This echoes with our earlier observation that there is no universal or "one-size-fits-all" to partnering/ cooperation approaches.

After considering that (i) the Comparable Agreements are entered into by Chapter 18A companies and also pharmaceutical companies listed on the Main Board of the Stock Exchange with terms mainly involved the joint R&D, manufacturing and/or commercialization of drug candidate(s), which carried the same features as the Cooperation Agreement; (ii) the sample of 8 Comparable Agreement is considered a fair sample larger enough to assess the fair and reasonableness of the terms of the Cooperation Agreement; and (iii) the sample of 8 Comparable Agreement has an adequate coverage of six key terms of the Comparable Agreements which we can draw comparison against those of the Cooperation Agreement, we consider that the research sample of the Comparable Agreements to be fair and representative.

Table 1: Key terms of Comparable Agreements

	Date of Agreement	Company name (stock code)	Name of the R&D partner	Term	Sharing of R&D expense (Company: R&D partner)	Marketing service fee (or other revenue/ profit sharing arrangements)	Development milestone payment	Reimbursement or upfront/ prepayment	Refund arrangement when R&D project fails
1	March 19, 2013	Shanghai Fudan Zhangjiang Bio-Pharmaceutical Co., Ltd. (8231.HK)	Shanghai Pharmaceuticals Holding Co., Ltd.	3 years, renewable	20: 80	Yes	Yearly prepayments, by instalments in accordance with the agreed progress of the project which tracks the actual expenses of the R&D project	Prepayment and reimbursement	Not disclosed
2	September 18, 2015	Shanghai Henlius Biotech, Inc. (2696. HK)	Fosun Pharma Industrial Development Co., Ltd	A long term or for an indefinite term	0: 100	Yes	Upfront milestone payment of RMB50 million, as well as ongoing reimbursement of R&D expenses	Upfront and reimbursement	Not disclosed

	Date of Agreement	Company name (stock code)	Name of the R&D partner	Term	Sharing of R&D expense (Company: R&D partner)	Marketing service fee (or other revenue/ profit sharing arrangements)	Development milestone payment	Reimbursement or upfront/ prepayment	Refund arrangement when R&D project fails
3	March 18, 2016	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (1349.HK)	Shanghai Pharmaceuticals Holding Co., Ltd.	3 years, renewable	20: 80	Yes	Yearly prepayments, by instalments in accordance with the agreed progress of the project which tracks the actual expenses of the R&D project	Prepayment and reimbursement	Not disclosed
4	March 14, 2019	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (1349.HK)	Shanghai Jiaolian Drug Development Co., Ltd	2.7 years, renewable	50: 50	Yes	Yearly, by reimbursement of actual R&D expenses to each other	Reimbursement	Not disclosed
5	May 2019	Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (6990.HK)	Harbour BioMed (Suzhou) Co., Ltd.	Not disclosed	50: 50	Yes	Reimbursement payable upon the achievement of specified clinical development and regulatory milestones	Reimbursement	Not disclosed
6	January 18, 2021	ImmuneOnco Biopharmaceuticals (Shanghai) Inc. (1541. HK)	Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd	Will continue until the completion of the clinical studies	All costs incurred in clinical studies in mainland China will be borne by the partner, except for certain costs to be borne by the company as provided in the agreement	No	Ongoing reimbursement of R&D expenses	Reimbursement	Not disclosed

	Date of Agreement	Company name (stock code)	Name of the R&D partner	Term	Sharing of R&D expense (Company: R&D partner)	Marketing service fee (or other revenue/ profit sharing arrangements)	Development milestone payment	Reimbursement or upfront/ prepayment	Refund arrangement when R&D project fails
7	June 28, 2022 (original agreement) and May 21, 2024 (supplemental agreement)	Shanghai Henlius Biotech, Inc. (2696.HK)	Palleon Pharmaceuticals Inc.	Remain in effect on a licensed product by-licensed product basis until all payment obligations for each licensed product have expired	50: 50 for phase I Majority of R&D expense be borne by the partner for phase II	Yes	Milestones payments are made up of a mixture of upfront fee of US$4m and development milestone payments of not more than approximately US$96.5 million in aggregate based on achievements of each development milestone of the relevant drug	Upfront and prepayment	Not disclosed
8	November 29, 2023	YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (1558.HK)	Sunshine Lake Pharma Co., Ltd.	3 years, renewable	100: 0	Yes	Ongoing reimbursement of R&D expenses	Reimbursement	Transfer the R&D expense invested in the failed project to other agreed innovative drugs project(s)
	July 19, 2024	The Company	Zhongmei Huadong	15 years, renewable for 5 years	50: 50	Yes, to be agreed	Development milestone payments based on achievements of each development milestone of the relevant drug	Prepayment and reimbursement	If the Subject Product eventually fails to obtain the marketing approval, the Company shall return the payment with an interest of 5% per annum on the entire amount paid.

Source: Website of the Stock Exchange.

In order to assess the fair and reasonableness of the terms of the Cooperation Agreement, we have assessed the following key terms of the Cooperation Agreement reference to the Comparable Agreements:

1. Term

The Cooperation Agreement spans 15 years, which is notably longer than the typical duration observed in most of the Comparable Agreements, however we note that the Comparable Agreement between Shanghai Henlius Biotech, Inc. ("**Henlius**") and Fosun Pharma Industrial Development featured a long term or for an indefinite term and we note in the prospectus of Henlius dated September 12, 2019, Frost & Sullivan ("**F&S**"), an independent global market research and consulting company engaged by Henlius as the industry expert, has confirmed that it is a market practice in the pharmaceutical industry for similar cooperation agreement to be entered into for a long term or for an indefinite term, primarily due to the substantial amount of capital committed by the collaboration partners and the risks involved.

2. Sharing of R&D expense

We note almost half of the Comparable Agreement adopted the 50:50 cost sharing model which is consistent with that of the Cooperation Agreement. This balanced expense-sharing structure is both fair and reasonable, ensuring that both parties are equally responsible for the R&D costs. Such sharing arrangements seem to be standard in the industry, even though such feature has not always been explicitly stated in the public documents.

3. Marketing service fee

We note that majority of Comparable Agreements (i.e. 7 out of 8) included a marketing service fee arrangement (or other revenue/profit sharing arrangements). While not all Comparable Agreements disclosed such terms in detailed, their presence indicated that such marketing service fee arrangement under the Cooperation Agreement is consistent with industry norms.

4. Milestone payment

The provision for development milestone payments in the Cooperation Agreement reflects a common deal term prevalent in the Comparable Agreements. Although payment methods of these development milestone are different between the Comparable Agreements as set out in the table above, the development milestone payment based on achievements of each development milestone of the relevant drug under the Cooperation Agreement encourages progressively payments that aligns with the developmental status of the drug candidate. Based on the above table, we note that this development milestone payment term is widely recognized in the industry and reflects a standard practice aimed at fostering collaboration and performance accountability.

5. Payment terms

We note from table above that the payment under Comparable Agreements are mainly through reimbursement or upfront/prepayment and the majority of payment terms under the Comparable Agreements (i.e. 7 out of 8) have included such arrangements of reimbursement. Reimbursements are usually either effected through milestone payments with excess being paid by the relevant parties in regular time intervals or direct reimbursement when actual R&D expenses are incurred.

6. Refund arrangement

We note most of the Comparable Agreements did not explicitly disclose their refund provisions. In the case of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. ("**HEC**"), the Comparable Agreement stipulated that should the relevant R&D project failed, the partner who invested the R&D expenses can transfer the R&D expenses to other agreed innovative drugs project(s). Having considered: (i) the Company would nevertheless be required to develop the Subject Product, and Zhongmei Huadong's cost-sharing in the co-development would aid such R&D efforts but should the Subject Product fail to obtain the marketing approval from the NMPA, the entire Clinical Development and Registration Fee would naturally be borne by the Company alone; (ii) in the event Zhongmei Huadong chooses not to exercise the Optional Right or that it exercises the Optional Right but the parties are unable to agree on the rate of the Marketing Service Fee, although the Company would be required to provide the refund (plus interest) to Zhongmei Huadong, the Company can be released from the Cooperation Agreement and opt to cooperate with a different strategic partner to promote the Subject Product under a newly negotiated commercial arrangement; (iii) the refund interest rate of 5% was considered, with bases, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole as discussed above; and (iv) there exists variations of arrangements to protect the R&D expense spent on failed R&D project(s), as evidenced by the HEC case, we are of view that the refund arrangement under the Cooperation Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above table and the assessment, we note that the Comparable Agreements featured generally similar terms as the Cooperation Agreements including but not limited to sharing of R&D expenses, marketing service fee, milestone payment, and refund arrangements. Although these terms are not exactly identical under different Comparable Agreements, they still suggest that the terms outlined in the Cooperation Agreement are not unusual, as well as aligning well with the industry norms.

Having considered that (i) the transactions contemplated under the Cooperation Agreement are broadly in line with international trends that biotech companies would seek to co-develop candidate medicines with large pharmaceutical companies; (ii) under terms of the Cooperation Agreement, the Clinical Development and Registration Fee shall be shared equitably between the Company and Zhongmei Huadong; (iii) the Cooperation Agreement includes the element of Marketing Service Fee which is directly linked to the Net Sales of the Subject Product, provides Zhongmei Huadong the reward and incentive for its efforts contributing to the commercial success of the Subject Product; (iv) the parties will share the Joint IP Rights; (v) the termination clause provides flexibility for the Company to cooperate with a new strategic partner should Zhongmei Huadong opt out at the commercialization stage of the Subject Product and (vi) from a Hong Kong listed companies perspective, we have reviewed the Comparable Agreements and note that the Comparable Agreements featured generally similar terms as the Cooperation Agreements, we are of the view that the terms of the Cooperation Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Reasons for and benefits of the entering into of the Cooperation Agreement

Reference is made to the Letter from the Board, Zhongmei Huadong is wholly owned by Huadong Medicine, a leading PRC pharmaceutical company with over 30 years of experience covering the whole pharmaceutical industrial chain, is a suitable business partner for the Group due to their strong development and commercialization capabilities at a national level. The Company believe that this collaboration could utilize Zhongmei Huadong's abundant clinical resources and marketing network in autoimmune and allergic diseases, along with their experience in chronic disease management.

Moreover, the Cooperation Agreement could enable both parties to leverage their strengths and share the value of the Subject Product proportionate to their respective contributions in R&D and sales and marketing. This approach aligns with industry practice and is beneficial for the Group since the cooperation with Zhongmei Huadong will facilitate the full exploration of the potential value of the Subject Product, bring more financial support to the Group and enhance the efficiency of the Company's internal financial resource.

Additionally, the Cooperation Agreement facilitates risks and costs sharing in advancing clinical trials and commercialization of the Subject Product. It enables the pooling of resources and capabilities from both parties to establish a competitive position in relevant markets expeditiously, to accelerate the development of the Subject Product, and to enhance the Group's long-term growth potential and comprehensive competitiveness.

Our assessment

We concur with the Management's view that Zhongmei Huadong, being wholly owned by Huadong Medicine, which is a renowned pharmaceutical company in the PRC with over three decades of experience, with strong market access, nationwide sales and marketing network, presents a suitable partnership opportunity for the Company.

We note that Zhongmei Huadong is a substantial shareholder in the Company, which implicitly presents a sense of long-term cooperation and trust between the parties and with a more amicable and close-knit partnering relationship. As mentioned above, Zhongmei Huadong is also the Group's commercialization partner for joint development and exclusive commercialization of QX001S, one of the Company's key products in China since August 2020, so it is not an initial cooperation but an extension of cooperation between the two parties.

This leading pharmaceutical entity will invest capital and provide essential clinical and registration resources to expedite product development, thereby positioning the Company for a competitive advantage. The Management further indicated that the Cooperation Agreement would utilize Huadong Medicine's clinical resources to accelerate both clinical development and the product launch process. Additionally, the Company will receive a portion of the R&D expenses when each payment milestone is achieved, strengthening and enhancing the efficiency of the Company's internal financial resources.

We note from the 2023 Annual Report, the Company incurred approximately RMB364.4 million of R&D expense for FY2023, of which constituted over 65% of the Group's total expenses during FY2023. As such, we concur with the Management's view that the cost-sharing features of the Cooperation Agreement will strengthen and enhance the efficiency of the Company's internal financial resources, in the event the Subject Product can proceed to commercialization stage.

Furthermore, as mentioned above, the Cooperative Agreement allows both parties to capitalize on their respective strengths and share the value derived from the Subject Product as a results of their contributions in R&D and sales and marketing. This shared value creation model not only mitigates risks but also optimizes resource utilization, thereby driving the developmental efforts of the Group's while expanding the Group's market presence.

Given that (i) Zhongmei Huadong is considered a suitable business partner for the Group due to their strong development and commercialization capabilities at a national level that can offer abundant complementary clinical resources and marketing network during the collaboration; (ii) Zhongmei Huadong's substantial shareholder status in the Company and its past collaboration with the Group presents a sense of long-term cooperation and trust between the parties and with a more amicable and close-knit partnering relationship; (iii) the cost-sharing features of the Cooperation Agreement will strengthen and enhance the efficiency of the Company's internal financial resource, in the event the Subject Product can proceed to commercialization stage; and (iv) the shared value creation model not only mitigates risks but also optimizes resource utilization, thereby driving the developmental efforts of the Group's while expanding the Group's market presence, we are of the view that entering into the Cooperation Agreement is within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

5. Internal control procedures

In respect of the connected transaction, the Company has adopted the following internal control procedures (the "**IC Procedures**") to safeguard the interests of the Shareholders:

(a) Regarding the management of the annual caps for continuing connected transactions for the Clinical Development and Registration Fee, the finance department of the Company and the Board would monitor the actual amount of continuing connected transactions through the connected transactions ledger to ensure that the amount does not exceed the approved annual caps. Once the limit is about to be exceeded, the Company would initiate compliance procedures as required under Chapter 14 of the Listing Rules immediately.

(b) Regarding the transactions under the Cooperation Agreement, the parties would supervise and guide the implementation through establishing the JDC and the JSC.

(c) The Cooperation Agreement has set out the audit mechanism, i.e. if both parties have any disagreement over the clinical expenses or the Net Sales to be generated, they may liaise with internal auditing or third-party professional auditing organizations to conduct special audits to enable the parties to ultimately reach a consensus.

(d) The internal audit department of the Company, under the guidance of the Audit Committee, would conduct special verification on notifiable transactions and connected transactions on a half-yearly basis to ensure compliance with the requirements of the Listing Rules and the Company's internal system.

(e) The Company's auditors will be engaged in accordance with Chapter 14A of the Listing Rules to report on the continuing connected transactions of the Company as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual caps.

(f) The independent non-executive Directors would conduct an annual review (which is subject to the annual review and disclosure requirements under the Listing Rules) to confirm that the the Clinical Development and Registration Fee under the Cooperation Agreement are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) the transactions are conducted in accordance with the Cooperation Agreement, of which the terms are fair and reasonable as well as in the interests of the shareholders as a whole.

We have obtained and reviewed the internal control system in relation to connected transactions of the Group (the "**IC System**") and noted that the internal control procedures are in line with those as set in the Letter from the Board (the "**IC Procedures**").

From the IC Procedures, we note that, for the execution level, the Management will check to ensure that all approval process under continuing connected transactions is strictly complied with in accordance with the IC System and all continuing connected transactions are strictly in accordance with the terms stipulated in related contract or agreement. The finance department will make a continuing connected transactions checklist to confirm all details (including at least the time, amount, names of connected parties, transaction matters and other information of the continuing connected transactions) are comply with related contract or agreement on a monthly basis. The finance department of the Company will also take the lead in monitoring the actual amount of continuing connected transactions through the connected transactions ledger to ensure that the amount does not exceed the approved annual caps. For the Board level, the continuing connected transactions will be subject to annual review and report by the Management on continuing connected transactions that occurred in the previous year to make sure they are conducted in consistent with former approval documents. At the expert level, independent auditors of the Company will conduct annual reviews on the continuing connected transaction for the Clinical Development and Registration Fee on an annual basis. In addition, we also note that the internal audit department of the Company, under the guidance of the Audit Committee, will conduct special verification on notifiable transactions and connected transactions on a half-yearly basis to ensure compliance with the requirements of the Listing Rules and the Company's internal system requirements.

Furthermore, according to the Cooperation Agreement, the JDC and the JSC will be established by the Company and Zhongmei Huadong, to manage and supervise clinical development and commercialization of the Subject Product, respectively. The JDC and the JSC will be responsible for formulating clinical protocols and budgets throughout the entirety of the clinical trials. They will convene quarterly meetings to review and confirm the clinical expenses incurred during each quarter, thus ensuring ongoing oversight and accountability in the execution of the clinical development activities. Additionally, the Cooperation Agreement has set out the audit mechanism, where the Company and Zhongmei Huadong may liaise with internal auditing or third-party professional auditing organizations to conduct special audits to enable the parties to ultimately reach a consensus on any disagreement over the clinical expenses to be generated. This additional structure not only facilitates enhanced governance but also provides an extra layer of control over the Proposal Annual Caps set forth by the Company.

For our due diligence purpose, we have also discussed with Management and understood that the Management is aware of the IC Procedures and will comply with the IC Procedures when conducting the Cooperation Agreement and Proposed Annual Caps.

Given (i) the IC System are in line with the IC Procedures; (ii) the existence of three layers (i.e. execution level, Board level and expert level) of the IC Procedures in place; and (iii) the Management is aware of the IC Procedures and will comply with IC Procedures when conducting the Cooperation Agreement and Proposed Annual Caps, we concur with the Company that it has adopted adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the Cooperation Agreement and the Proposed Annual Caps.

6. Proposed Annual Caps

Set out below are the Proposed Annual Caps for FY2024, FY2025 and FY2026 (the "**Cap Period**"):

	Proposed Annual Caps		
	FY2024	**FY2025**	**FY2026**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Clinical Development and Registration Fee (tax exclusive)	45,000	70,000	135,000

Basis of determination of the Proposed Annual Caps

According to the Letter from the Board, there was no historical figures of transactions that could be made reference to when determining the cap amount. The sharing of 50% of the Clinical Development and Registration Fee between the Company and Zhongmei Huadong is determined after arm's length negotiations between the parties with reference to the prevailing market rates for joint development of the Subject Product. The Directors estimate that for each of FY2024, FY2025 and FY2026, the amount of the Clinical Development and Registration Fee (tax exclusive) payable by Zhongmei Huadong to the Company under the Cooperation Agreement will not exceed RMB45 million, RMB70 million and RMB135 million, respectively (i.e. the Proposed Annual Caps).

In arriving at the above estimated cap for expenses to be incurred before commercialization, the Directors have made reference to the industry practices and budget for clinical studies, and considered: (i) the first payment milestone for AD in adults and PN, namely the first patient dosing in Phase III clinical study in China, has been achieved in May 2024; (ii) the second and third payment milestones for AD in adults and PN, namely the last patient dosing in Phase III clinical study in China and obtaining the Independent Review Committee's written confirmation of achievement of the primary clinical endpoint, shall be completed by the end of 2025; and (iii) the remaining clinical development fees of the estimated sum of no more than RMB135 million, including research center test fee, clinical research coordinator (CRC) service fee, contract research organization (CRO) service fee, labour costs, central laboratory fee and fees of related extended treatment studies of AD in adults and PN, are expected to be paid by Zhongmei Huadong to the Company by the end of 2026. The total Clinical Development and Registration Fee to be incurred under the Cooperation Agreement is expected to be around RMB500 million based on the budget covering the total clinical expenses. The amount of the remaining clinical development fees was deducted from the 50% of the Clinical Development and Registration Fee to be paid by Zhongmei Huadong (i.e. RMB250 million) by the estimated total registration milestone payment under the Cooperation Agreement (i.e. RMB115 million).

If any further Clinical Development and Registration Fee will be incurred after the Cap Period, the Company will re-comply with the applicable requirements under Chapter 14A of the Listing Rules to set annual cap(s).

When determining the formula for the Marketing Service Fee, the parties will make reference to factors including, among others, the reasons and benefits for entering into the cooperation arrangement, the prevailing market practices of the sharing ratio in relation to the cooperation arrangement as well as the proportion of costs to revenue to be incurred by both parties. There will be no Marketing Service Fee incurred from the date of signing the Cooperation Agreement to the commercialization of the Subject Product in the Authorized Territory and in the Authorized Fields.

Our assessment

We have obtained from the Management and reviewed the breakdowns of the total budgeted R&D expenses for the development of the Subject Products for treatment of AD in adults and PN (the "**Budget Break-down**"). From the Budget Break-down, we note that the total amount of the budgeted R&D expenses for both AD in adults and PN of RMB500 million is two times of the aggregated amount of the Proposed Annual Caps for FY2024, FY2025 and FY2026 (i.e. the summation of RMB45 million, RMB70 million and RMB135 million equals to RMB250 million). This is in line with our understanding that the total amount of the budgeted R&D expenses for both AD in adults and PN are to be shared equally by each party to the Cooperation Agreement. In this case and assuming all budgeted R&D expenses will be reimbursed by Zhongmei Huadong during the Cap Period, half of the budgeted R&D expenses would be the aggregated amount of the Proposed Annual Caps for FY2024, FY2025 and FY2026.

We note from the Budget Break-down that the key budgetary elements are made up of research center test fee, clinical research coordinator service ("**CRC**") fee, contract research organization ("**CRO**") service fee, central laboratory fee, patient recruitment service fee, labour costs and an overall buffer of 30% on the estimated gross expenses (the "**Key Budgetary Elements**"). As explained by the Management, the Budget Break-down has been jointly reviewed by members of the JDC representing each of the Company and Zhongmei Huadong. Such joint review can be seen an important part of the internal control in place for the Cooperation Agreement and the transactions contemplated thereunder.

In assessing the reasonableness of the total amount of the budgeted R&D expenses of RMB500 million, we have sought to draw comparison of the estimated cost per patient of the Subject Products to that of the empirical evidence. Given that there are 1,054 patients (i.e. 648 patients for AD in adults and 406 patients for PN) being recruited to take part in the Phase III development of the Subject Products for treatment of AD in adults and PN, according to the Budget Break-down, the estimated cost per patient of the Phase III clinical research is approximately RMB474,383 (equivalent to approximately US$66,909). According to F&S's published research statistics in 2021, the average cost per patient in a clinical trial is generally as follows: the average cost per patient in a Chinese domestic Phase I clinical trial is generally between US$40,000 to US$60,000, and the average cost per patient in Phase II and Phase III clinical trials is generally around US$50,000 to US$70,000. Having considered the F&S research statistics are slightly dated (i.e. 2021), the total amount of the budgeted R&D expenses of RMB500 million appears to be reasonable when compared to empirical experience.

To further assess the reasonableness of the total amount of the budgeted R&D expenses of RMB500 million and since almost 79.7% of the total amount of the budgeted R&D expenses for both AD in adults and PN, we have obtained and reviewed the calculations and bases of determine estimated amounts for the Key Budgetary Elements (which in turn is highly representative (close to 80%) of the entire Budget Break-down) and set out below are our independent work done during the examination of the Key Budgetary Elements:

(1) Research center test fee was calculated based on (i) an estimated number of 648 patients for AD in adults, multiplied by the average fee per patient associated with the research center test contracts that have been signed; and (ii) an estimate number of 406 patients for PN, multiplied by the average fee per patient associated with the research center test contracts that have been signed. We have, on a random basis, obtained and reviewed 10 research center test contracts (5 for each of AD in adults and PN) signed by the Company with different research centers in 2024 for the R&D for AD in adults and PN respectively, and note that the average fee per patient in the Budget Break-down is within range of the average fee per patient of the reviewed research center test contracts.

(2) Each of the CRC fee for AD in adults and PN was determined by taking reference from the quotation provided by Shanghai Medkey Med-Tech Development Co., Ltd. ("**Medkey**"), a CRC service provider, in February 2024. We have obtained and reviewed the quotation provided by Medkey and note that the CRC fee per patient in the Budget Break-down for AD in adults and PN is in line with the quotation provided by Medkey.

(3) Each of the CRO service fee for AD in adults and PN was determined by taking reference from the quotation provided by Hangzhou Tigermed Consulting Co., Ltd. ("**Tigermed**") a CRO service provider, in January 2024. We have obtained and reviewed the quotation provided by Tigermed and note that the CRO service fee per patient in the Budget Break-down for AD in adults and PN is in line with the quotation provided by Tigermed.

(4) Each of the central laboratory fee for AD in adults and PN was determined by taking reference from two latest quotations provided by United-Power Pharma Tech Co., Ltd. ("**United-Power**") in February 2024 and May 2024 respectively. We have obtained and reviewed the two quotations provided by United-Power and note that the central laboratory fee per patient in the Budget Break-down for AD in adults and PN is in line with the quotations provided by United-Power.

(5) Patient recruitment service fee was calculated with 1,054 patients (i.e. 648 patients for AD in adults and 406 patients for PN) multiplied by an estimated average fee per patient. We have, on a random basis, obtained and reviewed 4 different patients recruitment contracts for AD in adults and PN signed by the Company and note that the estimated average fee per patient in Budget Break-down is in line with the average fee per patient in 4 different patients recruitment contracts.

(6) Labour costs for the development of the Subject Products were based on the estimated expenses for employee compensation, travel expenses, conference fees and hospitality expenses to be incurred by both the Company and Zhongmei Huadong during the development of the Subject Products, we note the Management had adopted past operational data to arrive at the estimates.

(7) Lastly but not least, the parties have included an overall buffer of 30% on the estimated gross expenses in the Budget Breakdown, we consider such buffer to be reasonable because as shown in the published research statistics mentioned above that the average cost per patient in Phase II and Phase III clinical trials is generally around US$50,000 to US$70,000, the range of which can be as wide as 40% from the lower bound.

Based on the above independent work done conducted by us, we are of the view that the Key Budgetary Elements have been reasonably determined.

We further note the Proposed Annual Cap for FY2024 of RMB45 million aligns with the payment terms stipulated under the Cooperation Agreement whereby the first patient dosing in Phase III clinical study in China for AD in adults and PN has been completed in May 2024. We have requested and reviewed the support documents to confirm that the completion of such milestone. Such milestone has also been disclosed in the interim results/report of the Company for the six months ended 30 June 2024. As such, the Proposed Annual Cap for FY2024 can therefore be established as the payment terms stipulated under the Cooperation Agreement require the relevant payment of RMB45 million to the Group be effected within 30 Business Days after the achievement of the relevant milestone. Therefore, the Proposed Annual Cap for FY2024 can be considered an actual amount and is no longer an estimate.

For the Proposed Annual Cap for FY2025 of RMB70 million, which aligns with the second and third payment milestones for AD in adults and PN, namely the last patient dosing in Phase III clinical study in China and obtaining the Independent Review Committee's written confirmation of achievement of the primary clinical endpoint, shall be completed by the end of 2025. For the Proposed Annual Cap for FY2026 of RMB135 million, which aligns with the remaining clinical development fees of the estimated sum of no more than RMB135 million, are expected to be paid by Zhongmei Huadong to the Company by the end of 2026.

Independent Shareholders should note this is the best estimate of the timelines by the parties and should the payment milestones be slipped due to the parties' inability to achieve R&D successes, the relevant amount of the Proposed Annual Cap for FY2025 and FY2026 will be rolled over to the following year and so long as the following year has a higher Proposed Annual Cap amount to enable the reimbursement, the Company will comply with the relevant Listing Rules.

Having considered the Proposed Annual Caps have been determined by reference to (i) the Budget Break-down has been jointly reviewed by members of the JDC representing each of the Company and Zhongmei Huadong; (ii) the total amount of the budgeted R&D expenses of RMB500 million appears to be reasonable when compared to empirical experience; (iii) based on the independent work done conducted by us on the Key Budgetary Elements, we are of the view that the Key Budgetary Elements have been reasonably determined; (iv) the total amount of the budgeted R&D expenses for both AD in adults and PN more or less resembles two times of the aggregated amount of the Proposed Annual Caps for FY2024, FY2025 and FY2026; (v) with the first patient dosing in Phase III clinical study in China for AD in adults and PN has been completed in May 2024, the Proposed Annual Cap for FY2024 can be considered an actual amount and is no longer an estimate; (vi) the Proposed Annual Caps for FY2025 and FY2025 align with the second and third payment milestones for AD in adults and PN; and (vii) the Company has adopted adequate internal control with respect to the transactions contemplated thereunder (including the Proposed Annual Caps), we consider that Proposed Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we are of the view that the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee) are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, the terms of the Cooperation Agreement and the transactions contemplated thereunder (other than the payment of the Marketing Service Fee but including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Cooperation Agreement.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 16 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

1. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Interest in the shares of the Company

Name	Nature of interest	Type of Shares	Number of Shares[1]	Approximately percentage of shareholding in the relevant type of Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Qiu[2][3][4][5]	Beneficial owner	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
	Interest in controlled corporations	H Shares	60,550,000 (L)	29.57%	

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Hangzhou Quanyi is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both being its general partners acting in concert pursuant to the supplemental partnership agreement of Hangzhou Quanyi. By virtue of the SFO, each of Mr. Qiu and Mr. Yu Guo'an is deemed to be interested in the Shares held by Hangzhou Quanyi.

(3) Mr. Qiu is the general partner who holds approximately 8.27% interest in Xinfu Tongxin. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Xinfu Tongxin.

(4) Mr. Qiu is the general partner who holds approximately 45.71% interest in Shanghai Quanyou. Shanghai Quanyou holds 5,000,000 Shares, representing approximately 2.38% and 2.25% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Shanghai Quanyou.

(5) Mr. Qiu directly holds 10,000,000 Shares, representing approximately 4.76% and 4.50% of our Shares in issue immediately prior to and following the completion of the Global Offering.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since December 31, 2023, being the date to which the latest published audited consolidated financial statements of our Group were made up.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, two of our non-executive Directors held management role or directorship in some companies which are principally engaged in production and sales of pharmaceutical products. Mr. Yu Xi, our non-executive Director, was nominated by Zhongmei Huadong, one of our Pre-IPO Investors, to be its representative in our Board. He is the general manager of investment and business development at Huadong Medicine, a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963) and the parent company of Zhongmei Huadong. Mr. Wu Zhiqiang, our non-executive Director, was nominated by Taizhou Jianxin Venture Capital Co., Ltd. (泰州健鑫創業投資有限公司) and Taizhou China Medical City Rongjianda Venture Capital Co., Ltd. (泰州中國醫藥城融健達創業投資有限公司), two of our Pre-IPO Investors, to be their representative in our Board. He is currently serving as a director of Jiangsu Durui Pharmaceutical Co., Ltd. (江蘇杜瑞製藥有限公司) ("**Jiangsu Durui**") (a company principally engaged in the research and development and production of small molecule chemical analogs), a director of Jiangsu Yingke Biopharmaceutical Co., Ltd. (江蘇盈科生物製藥有限公司) ("**Jiangsu Yingke**") (a company engaged in the research and development and production of fat emulsion formulations), and a director of Taizhou Hongyun Pharmaceutical Co., Ltd. (泰州紅雲製藥有限公司) ("**Taizhou Hongyun**") (a company engaged in the research and development of small molecule oncology drugs).

Our Directors are of the view that there is no material competition between each of Huadong Medicine, Jiangsu Durui, Taizhou Hongyun and Jiangsu Yingke, and our Group arising from Mr. Yu Xi or Mr. Wu's management role or directorship for the following reasons:

(a) we are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases. In comparison, (i) Huadong Medicine is a pharmaceutical company deeply engaged in the R&D, manufacturing and sales of specialty medication, chronic disease medication and special medication, and has formed a core product line focusing on chronic kidney disease, transplant immunity, endocrine, digestive system and anti-tumor fields; and (ii) Jiangsu Durui and Taizhou Hongyun principally engaged in the R&D and production of small-molecule chemical generics; and (iii) Jiangsu Yingke principally engaged in development and production of fat emulsion formulations;

(b) the management and operational decisions of our Group are made by our executive Directors and senior management. As our non-executive Directors, Mr. Yu Xi and Mr. Wu are not and will not be involved in the daily management and operation of our Group;

(c) our independent non-executive Directors constitute one third of our Board upon Listing and none of them has any relationship with Mr. Yu Xi, Mr. Wu or their respective associates. We believe that our independent non-executive Directors will bring independent judgment to the decision-making process of our Board and possess relevant experience to allow the proper functioning of our Board; and

(d) in case of conflict of interest between our Group and each of Huadong Medicine, Jiangsu Durui, Taizhou Hongyun and Jiangsu Yingke, Mr. Yu Xi and Mr. Wu will exercise their duties in accordance with relevant constitutional documents, applicable laws and regulations and corporate governance measures adopted by our Group.

Save as disclosed above, each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to our Group's business to which our Group or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or lease to, the group or any of its subsidiaries during the period since December 31, 2023, being the date to which the latest audited financial statements of our Group were made up, up to and including the Latest Practicable Date.

5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our Directors and Supervisors has entered into a service agreement or letter of appointment with the Company. The principal particulars of these service agreements and letters of appointment comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service agreements and letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service agreement with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

6. LITIGATION

As far as the Directors were aware, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

7. EXPERT'S CONSENT AND QUALIFICATIONS

Opus Capital, which is the expert having given its opinion and/or advice which are contained in this circular, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following are the name and qualifications of the expert:

Name	Qualifications
Opus Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, the Independent Financial Adviser

8. EXPERT'S INTEREST

As at the Latest Practicable Date, Opus Capital, which is the expert having given its opinion and/or advice which are contained in this circular, did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of our Group since December 31, 2023, being the date to which the latest audited financial statements of our Group were made up, or was proposed to be acquired, or disposed of by, or leased to any member of our Group, and was not beneficially interested in the shares of any member of our Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. MISCELLANEOUS

The Company's H share registrar is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The joint company secretaries of the Company are Mr. Hu Yanbao and Ms. Tang King Yin. Mr. Hu is our Board secretary while Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.qyuns.net) for a period of 14 days from the date of this circular:

(a) the Cooperation Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on page 26 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 58 of this circular;

(d) the written consent of the Independent Financial Adviser as referred to in this Appendix; and

(e) this circular.

Executive Directors:

Mr. Qiu Jiwan (裘霄宛), aged 53, is the founder of our Group. He was appointed as our Director on June 5, 2015 and was re-designated as our executive Director on March 23, 2023. Mr. Qiu has been serving as our chief executive officer since June 2015, the general manager since September 2021 and the chairman of our Board since February 2022. Mr. Qiu is also the chairman of the Nomination Committee and Strategy and Development Committee and a member of the Remuneration and Appraisal Committee. He is primarily responsible for the strategic planning, business direction and operational management of our Group.

Mr. Qiu also holds various directorships and management positions in our Group companies, including (i) the executive director of Saifu Juli since July 2018, where he has been primarily responsible for the overall management of Saifu Juli; and (ii) the general manager of Cellularforce, from August 2018 to March 2023, where he was primarily responsible for the overall management of Cellularforce.

As an industry veteran, Mr. Qiu has nearly 30 years of experience in the biotechnology and pharmaceutical industries, where he started as a biotechnology specialist, gradually extended his role as a leader supervising the discovery, technology and manufacturing platform and accumulated management experience in the R&D and manufacturing of biotech companies, and eventually became a serial entrepreneur with various entrepreneurial achievements. From July 1993 to January 2004, Mr. Qiu served at Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程有限公司) ("**Hangzhou Jiuyuan**"), a biotech company primarily engaged in the production of injections and active pharmaceutical ingredients (APIs), with his last position being a director of research institute. During his tenure at Hangzhou Jiuyuan, he was primarily responsible for: (i) leading the development of Human Interleukin-11 for Injection (hIL-11) (formerly known as Recombinant Human Interleukin-11 for Injection (Yeast)); and (ii) leading the research on the recombinant human serum albumin production method and the stabilizing agents containing ciliary neurotrophic factor analogs, and obtained the relevant invention patents. From February 2004 to June 2005, Mr. Qiu served as a deputy general manager at Epitomics (Hangzhou) Biotechnology Co., Ltd. (宜康(杭州)生物技術有限公司) ("**Hangzhou Epitomics**"), a biotech company primarily engaged in the R&D and manufacturing of antibody reagents. During his tenure at Hangzhou Epitomics, he was primarily responsible for: (i) the establishment of a technology platform for mass production of high affinity rabbit monoclonal antibodies; and (ii) the production of hundreds of high quality rabbit monoclonal antibodies which are currently on sale in the European and American markets. From December 2005 to January 2015, Mr. Qiu founded Jiangsu T-mab BioPharma Co., Ltd. (江蘇泰康生物醫藥有限公司) ("**Jiangsu T-mab**") and its two subsidiaries, Hangzhou Genewave Biotechnology Co., Ltd. (杭州基偉生物技術有限公司) ("**Hangzhou Genewave**") and Taizhou Beijin Biotechnology Co., Ltd. (泰州貝今生物技術有限公司) ("**Taizhou Beijin**"), all being companies

principally engaged in the R&D and production of genetically engineered drugs, where Mr. Qiu served as (i) the general manager at Hangzhou Genewave beginning from July 2005 to January 2015; (ii) the general manager at Taizhou Beijin beginning from August 2007 to January 2015; and (iii) the general manager at Jiangsu T-mab from July 2008 to January 2015. During his tenure at Jiangsu T-mab, he was primarily responsible for: (i) the establishment of long-lasting protein technology platform and the development of two innovative recombinant protein drugs for the treatment of white blood cell hypoplasia after tumor radiotherapy and type 2 diabetes; (ii) the introduction of rabbit monoclonal antibody platform technology and the development of one innovative monoclonal antibody drug for the treatment of ophthalmic wet age-related macular degeneration; (iii) the development of one biological drug targeted receptor activator of nuclear factor-KB ligand (RANKL) for the treatment of tumor bone metastasis and osteoporosis; and (iv) leading the co-establishment of China Pharmaceutical City Large Molecule Drug Public Service Platform (中國醫藥城大分子藥物公共服務平台) with Torch High Technology Industry Development Center, Ministry of Science and Technology (科技部火炬高技術產業開發中心) and Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳), both being government institutions. In June 2009, he was appointed as a non-executive director nominated by Hangzhou Genewave at Jiangsu Stanford Biotechnology Co., Ltd. (江蘇斯坦福生物技術有限公司) ("**Jiangsu Stanford**"), a company established in the PRC with limited liability principally engaged in R&D of reagents and consumables required in the process of stem cell, where he was primarily responsible for providing strategic guidance and was not involved in its day-to-day management and operations.

Mr. Qiu graduated from Fudan University (復旦大學) in the PRC in July 1993 with a bachelor's degree in genetics and genetic engineering. He also obtained a master's degree in business administration (MBA) from Zhejiang University (浙江大學) in the PRC in June 2005. Mr. Qiu was awarded the Third Prize of Zhejiang Province Science and Technology Award (浙江省科學技術三等獎) by the People's Government of Zhejiang Province (浙江省人民政府) in 2005 and the Second Prize of Hangzhou Science and Technology Progress Award (杭州市科技進步二等獎) by Hangzhou Municipal People's Government (杭州市人民政府) in February 2006.

Mr. Wu Yiliang (吳亦亮), aged 43, was appointed as our Director on April 10, 2019 and was re-designated as our executive Director on March 23, 2023. Mr. Wu joined our Group in June 2015 and has been serving as the executive deputy general manager of Cellularforce since March 2023. He is primarily responsible for the process development and production of our Group.

Mr. Wu has over 15 years of experience in biopharmaceutical industry, specialized in process development, quality control and commercial manufacturing of recombinant protein drugs. Mr. Wu joined our Group in June 2015 and served as the director of our department of process research and development from June 2015 to January 2019, where he led the establishment of platforms for antibody drug process development, quality research and pilot production, and was mainly responsible for the preclinical research of our biosimilar antibody drug candidate QX001S. From February 2019 to February 2023, Mr. Wu served as the chief operating officer of our Company and was primarily responsible for assisting the president with the overall operational management of our Company. During his tenure, we successfully completed pharmacology, preclinical pharmacology and toxicology studies for QX002N, QX005N, QX004N, QX006N and QX008N, which are currently in Phase I or II clinical research. Mr. Wu also served as the vice president of production at Cellularforce from March 2019 to February 2023, where he was primarily responsible for the design, construction, testing and confirmation of manufacturing facilities, and assisted in the establishment of quality management system.

Prior to joining our Group, from July 2007 to March 2015, Mr. Wu worked at Hangzhou Genewave which is a subsidiary of Jiangsu T-mab. Mr. Wu successively served various positions at Jiangsu T-mab, including as: (i) a purification researcher in protein drug department from July 2008 to May 2010, where he was primarily responsible for the purification process development of two long-acting recombinant cytokine-based drugs; and (ii) a deputy manager of the antibody drugs department from May 2010 to May 2015, where he was involved in establishing the antibody drugs department and was responsible for its process research and pilot scale-up (500 L scale) production system for antibody drugs.

Mr. Wu graduated from Xiamen University (廈門大學) in the PRC in July 2003 with a bachelor's degree in biotechnology. He also obtained a master's degree in cytobiology from Xiamen University in September 2006. He was certified as a senior engineer (高級工程師) by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in December 2013.

Mr. Lin Weidong (林偉棟), aged 42, was appointed as our Director on March 16, 2022 and was re-designated as our executive Director on March 23, 2023. Mr. Lin joined our Group in August 2021 and served as the vice president of finance of our Company from August 2021 to September 2021. He has been serving as the deputy general manager of our Company since September 2021. He is primarily responsible for the financial management, financing and capital market affairs of our Group.

Mr. Lin has over 13 years of experience in auditing and corporate financial management. Prior to joining our Group, Mr. Lin served as an auditor at Shanghai De'An Certified Public Accountants (上海德安會計師事務所有限公司) from October 2004 to June 2005 and worked at KPMG Huazhen LLP (Shanghai Branch) (畢馬威華振會計師事務所上海分所) from November 2005 to December 2009 with his last position being an assistant audit manager. Since 2010, Mr. Lin has accumulated extensive experience in corporate financial management by serving as the senior management at various enterprises, including as: (i) a financial manager of Shanghai Arkema Gaoyuan Chemical Co., Ltd. (上海阿科瑪高遠化工有限公司), a company primarily engaged in production of high quality engineering polyamides and a subsidiary of Arkema S.A., a specialty chemicals and advanced materials company whose shares are listed on Euronext Paris (stock code: AKE), from May 2010 to May 2012, where he was primarily responsible for the overall financial management; (ii) a regional financial manager for Asia Pacific operation at Imerys (Shanghai) Investment Management Co., Ltd. (益瑞石(上海)投資管理有限公司) and Imerys (Shanghai) Filtering Minerals Trading Co., Ltd. (益瑞石(上海)過濾礦物貿易有限公司), both of which are primarily engaged in non-metallic minerals processing and trading and are subsidiaries of Imerys S.A., a specialty minerals company whose shares are listed on Euronext Paris (stock code: NK), from December 2013 to June 2015, where he was primarily responsible for the financial reporting, analysis and management; (iii) a vice president of finance at Shanghai Muhe Network Technology Co., Ltd. (上海慕和網絡科技有限公司), a company primarily engaged in mobile games development and operation, from February 2016 to October 2016, where he was mainly responsible for the overall financial management; (iv) the co-founder and chief financial officer at Ifenqu Network Technology Shanghai Co., Ltd. (愛分趣網絡技術(上海)有限公司), a company primarily engaged in online insurance business, from November 2016 to March 2018, where he was primarily responsible for financial management and financing; (v) worked at Shanghai Yiguo E-commerce Co., Ltd. (上海易果電子商務有限公司), an e-commerce platform primarily engaged in online sales of fresh agricultural products, from September 2018 to March 2019; and (vi) a financial director at Harbour BioMed (Shanghai) Co., Ltd. (和鉑醫藥(上海)有限責任公司) ("**HBM Shanghai**"), a company mainly engaged in the R&D of biomedical product and an indirect wholly owned subsidiary of HBM Holdings Limited, a biopharmaceutical company whose shares are listed on the Stock Exchange (stock code: 02142), from June 2019 to December 2020, where he was primarily responsible for financial management.

Mr. Lin received a bachelor's degree in English from Tongji University (同濟大學) in the PRC in July 2004 and a master's degree in business administration (MBA) from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2016. He was qualified as a Certified Public Accountant non-practicing member (中國註冊會計師協會非執業會員) by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in February 2013.

Non-executive Directors:

Mr. Yu Xi (余熹), aged 51, was appointed as our Director on August 14, 2020 and was re-designated as our non-executive Director on March 23, 2023. Mr. Yu Xi is also a member of the Strategy and Development Committee. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Mr. Yu Xi has extensive professional experience in business development, consulting and investment in the biopharmaceutical industry. Mr. Yu Xi once served as an alliance management director of business strategy and development department at Xi'an Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司), a pharmaceutical company which is the subsidiary of Johnson & Johnson whose shares are listed on the NASDAQ (stock code: JNJ), and served as a director of business development at Sanofi-Aventis China Investment Co., Ltd. (賽諾菲(中國)投資有限公司) ("**Sanofi China**"), a company mainly engaged in investments in the pharmaceutical and biological sectors and a subsidiary of Sanofi S.A. whose shares are listed on Euronext Paris (stock code: SAN) and NASDAQ (stock code: SYN). From September 2018 to December 2019, Mr. Yu Xi served as a vice president of business development and strategy at HBM Shanghai, where he was primarily responsible for product licensing and mergers and acquisitions. Since January 1, 2020, Mr. Yu Xi has been serving as the general manager of investment department at Huadong Medicine, a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963) and the parent company of Zhongmei Huadong which is our substantial shareholder, where he is primarily responsible for department affairs.

Mr. Yu Xi graduated from East China University of Science and Technology (華東理工大學) in the PRC in July 1997 with a bachelor's degree in English for Science and Technology.

Mr. Wu Zhiqiang (吳志強), aged 43, was appointed as our Director on September 17, 2021 and was re-designated as our non-executive Director on March 23, 2023. Mr. Wu is also a member of the Audit Committee. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Mr. Wu has over 13 years of experience in the investment and financing industry. From December 2007 to June 2010, Mr. Wu worked at Industrial Securities Co., Ltd. (興業證券股份有限公司), a state-controlled securities company whose shares are listed on the Shanghai Stock Exchange (stock code: 601377). From May 2011 to November 2017, Mr. Wu successively served as a financial manager of financing and investment department, an assistant to the director, a deputy director of investment department, a deputy director of office, an assistant to general manager at Taizhou Oriental, a state-owned company primarily engaged in pharmaceutical promotion and financial services and a substantial shareholder of Taizhou Medical New and High-tech Industrial Development Zone Huayin Finance Investment Co., Ltd. (泰州醫藥高新區華銀金融投資有限公司) ("**Taizhou Huayin**"), where he was primarily responsible for its administrative management, investment and financing strategy management. Mr. Wu also served various positions at certain subsidiaries of Taizhou Huayin, including (i) an assistant to general manager primarily responsible for the financing guarantee business from January 2012 to May 2012 and a deputy general manager primarily responsible for the operation and management from November 2015 to December 2016 at Taizhou Medical City Hongtai Financing Guarantee Co., Ltd. (泰州醫藥城鴻泰融資擔保有限公司), a state-owned company primarily engaged in financing guarantee business; (ii) a deputy general manager at Taizhou Huajian Venture Capital Co., Ltd. (泰州華健創業投資有限公司) ("**Taizhou Huajian**"), a state-owned venture capital company, from May 2013 to July 2018, primarily responsible for the investment management; and (iii) a general manager at Jiangsu Huatairong Supply Chain Management Co., Ltd. (江蘇華泰融供應鏈管理有限公司), a state-owned investment company, from November 2015 to December 2016, primarily responsible for the operation and management. Since September 2019, Mr. Wu has been serving as the general manager at Taizhou Huayin, where he is mainly responsible for the overall operations and management. In August 2014, he was appointed as a non-executive director nominated by Taizhou Huajian at Jiangsu Stanford, a company established in the PRC with limited liability principally engaged in R&D of reagents and consumables required in the process of stem cell, where he was primarily responsible for providing strategic guidance and was not involved in its day-to-day management and operations. Mr. Wu has been a director of Jiangsu Durui Pharmaceutical Co., Ltd. (江蘇杜瑞製藥有限公司) (a company principally engaged in the research and development and production of small molecule chemical analogs) since February 2021, a director of Jiangsu Yingke Biopharmaceutical Co., Ltd. (江蘇盈科生物製藥有限公司) (a company engaged in the research and development and production of fat emulsion formulations) since May 2024, and a director of Taizhou Hongyun Pharmaceutical Co., Ltd. (泰州紅雲製藥有限公司) (a company engaged in the research and development of small molecule oncology drugs) since June 2024. All of the aforementioned positions were nominated by Taizhou Huayin or its subsidiaries, and Mr. Wu is mainly responsible for post-investment management.

Mr. Wu received a bachelor's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004.

Dr. Xue Mingyu (薛明宇), aged 38, was appointed as our Director on March 29, 2021 and was re-designated as our non-executive Director on March 23, 2023. Dr. Xue is also a member of the Strategy and Development Committee. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Dr. Xue has extensive professional experience in the management consulting, business development and venture fund investment in healthcare industry. From October 2016 to July 2018, Dr. Xue worked at Bain & Company China, Inc. (貝恩創效管理諮詢(上海)有限公司), a global management consulting firm, with his last position as a senior consultant. From July 2018 to September 2020, he served as an associate director of global business development and licensing at Sanofi China. Since September 2020, Dr. Xue has been serving as a vice president at MPC Investments, where he is primarily responsible for the investment in healthcare sector.

Dr. Xue graduated from the University of Hong Kong with his bachelor's degree of science in November 2008. He further obtained a doctoral degree in chemistry and chemical biology from Harvard University in the United States. Dr. Xue conducted post-doctorate research at Weill Cornell Medicine biochemistry department in the United States until January 2016.

Independent non-executive Directors:

Dr. Zou Zhongmei (鄒忠梅), aged 60, was appointed as our independent non-executive Director on January 4, 2024. Dr. Zou is also the members of the Remuneration and Appraisal Committee and Nomination Committee. Dr. Zou is responsible for providing independent advice to our Board.

Dr. Zou has over 32 years of experience in natural products chemistry and R&D of new drugs. Dr. Zou worked at the teaching and research laboratory of Chinese medicine chemistry of Hubei College of Chinese Medicine (湖北中醫學院中藥化學教研室) from July 1984 to September 1987 and also served as its teaching assistant from August 1990 to July 1992. From July 1992 to September 1995, she served as an assistant professor at the Chinese medicine research institute of Hubei College of Chinese Medicine (湖北中醫學院中藥研究所). From July 1998 to February 2005, she successively served as an assistant professor and an associate professor at the Institute of Medicinal Plant Development of Chinese Academy of Medical Sciences (中國醫學科學院藥用植物研究所) ("**IMPLAD**"), a national research institution of public service specializing in protection, development and utilization of medicinal plant resources. Dr. Zou successively served as a deputy director and associate professor of the research center of natural medicine chemistry of IMPLAD from February 2005 to November 2021 and has been serving as its professor since September 2005 and its director since November 2021.

Dr. Zou graduated from Hubei University of Chinese Medicine (湖北中醫藥大學) (formerly known as Hubei College of Chinese Medicine (湖北中醫學院)) in the PRC with a bachelor's degree in Chinese medicine in July 1984. Dr. Zou graduated from Peking Union Medical College (北京協和醫學院) (formerly known as Peking Union Medical College (中國協和醫科大學)) in the PRC with a master's degree in biopharmacology in August 1990 and a doctoral degree (Ph.D.) in pharmaceutical chemistry in July 1998, respectively. She was awarded as the National Candidate of New Century Hundred Million Talents Project (新世紀百千萬人才工程國家級人選) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in 2009. She was granted the Government Special Allowance of the State Council (國務院政府特殊津貼) by the State Council in February 2013.

Dr. Ling Jianqun (凌建群), aged 56, was appointed as our independent non-executive Director on January 4, 2024. Dr. Ling is also the chairman of the Remuneration and Appraisal Committee and members of the Audit Committee and Nomination Committee. Dr. Ling is responsible for providing independent advice to our Board.

Dr. Ling has over 23 years of experience in the biopharmaceuticals industry. From August 1994 to September 1999, he served as a lecturer at Zhejiang University Biotechnology Institute (浙江大學生物技術研究所) in the PRC, where he was primarily responsible for teaching courses of biology and genetic engineering. From 2004 to 2011, Dr. Ling successively served as a post-doctoral fellow, a research scientist and a senior research scientist at Stanford University Department of Medicine in the United States. Since April 2011, Dr. Ling has been serving as the chairman of the board of directors and the general manager of Genloci Biotechnologies Inc. (江蘇吉銳生物技術有限公司), a high-tech biological enterprise, where he has been primarily responsible for its strategic planning and operational management.

Dr. Ling obtained a college diploma in biology from Zhejiang Normal University (浙江師範大學) in the PRC in July 1988. Dr. Ling graduated from Peking University (北京大學) in the PRC in July 1994 with a master's degree in botany. He also obtained a doctoral degree (Ph.D.) in biochemistry from Tokyo University of Agriculture and Technology in Japan in March 2004. Dr. Ling was awarded the Second Prize of Army Science and Technology Progress Award (軍隊科學技術進步獎二等獎) by the Science and Technology Commission of Central Military Commission (中央軍委科學技術委員會) in December 2020.

Mr. Fung Che Wai, Anthony (馮志偉), aged 55, was appointed as our independent non-executive Director on January 4, 2024. Mr. Fung is also the chairman of the Audit Committee. Mr. Fung is responsible for providing independent advice to our Board.

Mr. Fung has over 30 years of experience in accounting and financial management. From August 1992 to September 1999, he successively served as a staff accountant, a semi senior accountant, a senior accountant and a manager at Deloitte Touche Tohmatsu, an accounting firm, where he was primarily responsible for audit planning and control. From October 1999 to August 2007, he served as a director at Winsmart Consultants Limited (弘陞投資顧問有限公司), where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, he served as a vice president of investor relations department at NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator in Cambodia whose shares are listed on the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to December 2022, Mr. Fung served as the chief financial officer and the company secretary at various listed companies, where he was primarily responsible for the overall financial operations, company secretarial matters, investor relations and compliance matters, including at: (i) Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 2098), from January 2011 to July 2014; (ii) Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator whose shares are listed on the Main Board of the Stock Exchange (stock code: 0295), from July 2014 to April 2017; and (iii) Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider whose shares are listed on the Main Board of the Stock Exchange (stock code: 3718), from May 2017 to December 2022.

Since April 2017, Mr. Fung has been serving as an independent non-executive director primarily responsible for supervising and providing independent advice to the board of directors at various listed companies, including at: (i) FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), a financial services provider whose shares are listed on the GEM Board of Stock Exchange (stock code: 8452), from April 2017 to August 2023; (ii) S&P International Holding Limited (椰豐集團有限公司), a Malaysian coconut food manufacturer and seller whose shares are listed on the Main Board of the Stock Exchange (stock code: 1695), from June 2017 to October 2021; (iii) KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a comprehensive property management service provider whose shares are listed on the Main Board of the Stock Exchange (stock code: 3913), since October 2020; (iv) Zhong An Group Limited (眾安集團有限公司), a real estate development company whose shares are listed on the Main Board of the Stock Exchange (stock code: 0672), since November 2021; (v) XXF Group Holdings Limited (喜相逢集團控股有限公司), an automobile retailer providing automobile finance lease service whose shares are listed on the Main Board of the Stock Exchange (stock code: 2473), since October 2023; and (vi) Dekon Food and Agriculture Group (四川德康農牧食品集團股份有限公司), a livestock and poultry breeding and farming enterprise whose shares are listed on the Main Board of the Stock Exchange (stock code: 2419), since December 2023.

Mr. Fung obtained his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants (ACCA) in October 2001 and as a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) in September 2005, respectively.

Mr. Ye Xiang (葉翔), aged 52, was appointed as our Supervisor and the president of the Supervisory Committee on September 17, 2021. He is primarily responsible for presiding the work of the Supervisory Committee, supervising and providing independent advice to our Board.

Mr. Ye has extensive professional experience in the investment management industry. From December 2014 to January 2020, Mr. Ye successively served as the deputy general manager and general manager at Taizhou China Medical City Rongjianda Venture Capital Co., Ltd. (泰州中國醫藥城融健達創業投資有限公司) ("**Rongjianda**"), which is one of our Pre-IPO Investors, where he was primarily responsible for its investment matters and overall management. Since January 2020, Mr. Ye has been serving as a director of risk management at Suzhou Rongshi Private Equity Management Co., Ltd. (蘇州融實私募基金管理有限公司) (formerly known as Suzhou Guanya Investment Management Co., Ltd (蘇州冠亞投資管理有限公司)) ("**Suzhou Rongshi**"), an investment management company and the general partner of Suzhou Guanhong Venture Capital Center (Limited Partnership) (蘇州冠鴻創業投資中心(有限合夥)) ("**Suzhou Guanhong**"), where he is mainly responsible for its risk control.

Mr. Ye graduated from Xiamen University (廈門大學) in the PRC with a bachelor's degree in biochemistry in July 1995 and a master's degree in management in June 2002. He obtained the Bar Admission Certificate (律師資格證書) issued by Bar Admissions Committee of the Ministry of Justice of the PRC (中華人民共和國司法部律師資格審查委員會) in May 1999.

Dr. Ding Chao (丁超), aged 36, was appointed as our Supervisor on September 15, 2022. He is primarily responsible for supervising and providing independent advice to our Board.

Dr. Ding has extensive professional experience in the investment in biopharmaceuticals. From February 2017 to March 2019, Dr. Ding served as an investment manager at Beijing 3E Investment Management Co., Ltd. (北京三益投資管理有限公司), a company mainly engaged in the investment in new drug development, medical devices, clinical diagnostics and medical services, where he was primarily responsible for equity investments in biopharmaceuticals. Since April 2019, he has been successively serving as the vice president of investment, the senior vice president of investment and the executive director at Beijing Hongtai Tongchuang Investment Management Co., Ltd. (北京洪泰同創投資管理有限公司) ("**Hongtai Aplus**"), an investment fund company focusing on private equity investment in consumption, healthcare, finance, TMT (technology, media, telecommunications) and education industries and the general partner of Taizhou Hongtai Health Investment Management Center (Limited Partnership) (泰州洪泰健康投資管理中心(有限合夥)) ("**Hongtai Health**") which is one of our Pre-IPO Investors, where he was mainly responsible for the equity investment and post-investment management in the biopharmaceutical sector. Dr. Ding has been nominated by Hongtai Aplus to serve as a director of Jiangsu ZECEN Biotech Co., Ltd. (a company principally engaged in the research and development, production and sales of medical devices, in-vitro diagnostic reagents and instruments) and CGeneTech (Suzhou, China) Co., Ltd. (a company principally engaged in the research and development, production and sales of small molecule innovative drugs) since September 2022 and June 2023, respectively, and has primarily been responsible for post-investment management.

Dr. Ding graduated from China University of Geosciences (中國地質大學) in the PRC in July 2009 with a bachelor's degree in material chemistry. He also obtained a doctoral degree (Ph.D.) of science from Tsinghua University (清華大學) in the PRC in January 2017.

Qyuns Therapeutics Co., Ltd.
江蘇荃信生物醫藥股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2509)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the EGM of Qyuns Therapeutics Co., Ltd. (the "**Company**") will be held at North Conference Room, 2nd Floor, Building 1, No.907 Yaocheng Avenue, Taizhou City, Jiangsu Province, the PRC on Friday, October 25, 2024 at 2:00 p.m. for the purpose of considering and, if thought fit, approving the following resolutions. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated September 30, 2024 (the "**Circular**").

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, approve the Cooperation Agreement dated July 19, 2024 entered into between the Company and Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司) (the "**Cooperation Agreement**") (including the transactions contemplated thereunder) and the Proposed Annual Caps for each of the three years ending December 31, 2026 as set out in the Circular; and to authorize any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Cooperation Agreement.

2. To consider and, if thought fit, approve the appointment of Mr. Qiu Jiwan as executive Directors of the second session of the Board.

3. To consider and, if thought fit, approve the appointment of Mr. Wu Yiliang as executive Directors of the second session of the Board.

4. To consider and, if thought fit, approve the appointment of Mr. Lin Weidong as executive Directors of the second session of the Board.

5. To consider and, if thought fit, approve the appointment of Mr. Yu Xi as non-executive Directors of the second session of the Board.

6. To consider and, if thought fit, the appointment of Mr. Wu Zhiqiang as non-executive Directors of the second session of the Board.

7. To consider and, if thought fit, approve the appointment of Dr. Xue Mingyu as non-executive Directors of the second session of the Board.

8. To consider and, if thought fit, approve the appointment of Dr. Zou Zhongmei as independent non-executive Directors of the second session of the Board.

9. To consider and, if thought fit, approve the appointment of Dr. Ling Jianqun as independent non-executive Directors of the second session of the Board.

10. To consider and, if thought fit, approve the appointment of Mr. Fung Che Wai, Anthony as independent non-executive Directors of the second session of the Board.

11. To consider and, if thought fit, approve the appointment of Mr. Ye Xiang as the non-employee representative Supervisors of the second session of the Board of Supervisors.

12. To consider and, if thought fit, approve the appointment of Dr. Ding Chao as the non-employee representative Supervisors of the second session of the Board of Supervisors.

By Order of the Board
Qyuns Therapeutics Co., Ltd.
Qiu Jiwan
Chairman of the Board and Executive Director

Hong Kong, September 30, 2024

As of the date of this notice, the board of directors of the Company comprises Mr. Qiu Jiwan as chairman and executive Director, Mr. Wu Yiliang and Mr. Lin Weidong as executive directors, Mr. Yu Xi, Mr. Wu Zhiqiang and Dr. Xue Mingyu as non-executive Directors, and Dr. Zou Zhongmei, Dr. Ling Jianqun and Mr. Fung Che Wai, Anthony as independent non-executive Directors.

Notes:

1. The resolution at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the articles of association of the Company and the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. In order to be eligible to attend and vote at the EGM, holders of the H shares whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, October 9, 2024 (Hong Kong time) for registration.

3. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies can only vote on a poll.

4. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(ies). If that instrument is signed by an attorney of a shareholder, the power of attorney or other document authorising that attorney to sign must be notarized.

5. In order to be valid, the form of proxy together with the notarized power of attorney or other authorization document (if any) must be deposited at the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 24 hours before the time fixed for the meeting (i.e. not later than 2:00 p.m. on Thursday, October 24, 2024 (Hong Kong time)).

6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the form of proxy was signed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.

7. In accordance with the Company's articles of association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, and this notice, when served on such person, shall be deemed to have be given to all joint holders of such share.

8. Shareholders or their proxies shall produce their identification documents for inspection when attending the EGM.