



# Cutia Therapeutics

## 科笛集团

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2487

## Global Offering

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



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



Overall Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



# IMPORTANT

**IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.**



## Cutia Therapeutics 科笛集团

(Incorporated in the Cayman Islands with limited liability)

### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 21,281,800 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,128,400 Shares (subject to reallocation)
Number of International Offer Shares	: 19,153,400 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$24.75 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.00002 per Share
Stock code	: 2487

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



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



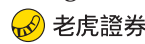
**Overall Coordinator, Joint Bookrunner and Joint Lead Manager**



**Joint Bookrunners and Joint Lead Managers**



**Joint Lead Managers**



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

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

The final Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or around Monday, June 5, 2023 and in any event, not later than Tuesday, June 6, 2023. The Offer Price will be not more than HK\$24.75 per Offer Share and is currently expected to be not less than HK\$20.65. If, for any reason, the final Offer Price is not agreed by Tuesday, June 6, 2023 between the Overall Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold solely (1) to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act pursuant to Rule 144A or another available exemption from registration requirements under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. No public offering of the Offer Shares will be made in the United States.

Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$24.75 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors".

The Overall Coordinators (for themselves and on behalf of the Underwriters), with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.cutiatx.com](http://www.cutiatx.com) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Hong Kong Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination."

May 31, 2023

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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.**

**This Prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.cutiatx.com](http://www.cutiatx.com). If you require a printed copy of this Prospectus, you may download and print from the website addresses above.**

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

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

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

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

See “How to Apply for Hong Kong Offer Shares” for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

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## IMPORTANT

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Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for	
Amount payable on application HK\$		Amount payable on application HK\$		Amount payable on application HK\$		Amount payable on application HK\$	
200	4,999.92	3,000	74,998.81	40,000	999,984.16	500,000	12,499,801.88
400	9,999.84	4,000	99,998.41	50,000	1,249,980.19	600,000	14,999,762.26
600	14,999.76	5,000	124,998.02	60,000	1,499,976.23	700,000	17,499,722.63
800	19,999.68	6,000	149,997.62	70,000	1,749,972.27	800,000	19,999,683.00
1,000	24,999.61	7,000	174,997.23	80,000	1,999,968.30	900,000	22,499,643.38
1,200	29,999.52	8,000	199,996.84	90,000	2,249,964.33	1,064,200 <sup>(1)</sup>	26,604,578.31
1,400	34,999.45	9,000	224,996.43	100,000	2,499,960.38		
1,600	39,999.37	10,000	249,996.03	200,000	4,999,920.76		
1,800	44,999.29	20,000	499,992.08	300,000	7,499,881.13		
2,000	49,999.21	30,000	749,988.11	400,000	9,999,841.50		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

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

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.cutiatx.com](http://www.cutiatx.com).*

Hong Kong Public Offering commences . . . . . 9:00 a.m. on Wednesday,  
May 31, 2023

Latest time to complete electronic applications  
under **HK eIPO White Form** service through  
one of the below ways<sup>(2)</sup> . . . . . 11:30 a.m. on Monday,  
June 5, 2023

(1) the **IPO App**, which can be downloaded by  
searching “**IPO App**” in App Store or Google Play  
or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp)  
or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)

(2) the designated website [www.hkeipo.hk](http://www.hkeipo.hk)

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Monday,  
June 5, 2023

Latest time for (a) completing payment of **HK eIPO White Form**  
applications by effecting internet banking transfer(s)  
or PPS payment transfer(s) and (b) giving **electronic**  
**application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Monday,  
June 5, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Monday,  
June 5, 2023

Expected Price Determination Date<sup>(5)</sup> . . . . . Monday,  
June 5, 2023

Announcement of the Offer Price, the level of applications  
in the Hong Kong Public Offering; the level of indications  
of interest in the International Offering; and the basis of  
allocation of the Hong Kong Offer Shares to be published  
on our website at [www.cutiatx.com](http://www.cutiatx.com)<sup>(6)</sup> and the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) on or before<sup>(10)</sup> . . . . . Friday,  
June 9, 2023

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## EXPECTED TIMETABLE<sup>(1)</sup>

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

- in the announcement to be posted on our website and the website of the Stock Exchange at [www.cutiatx.com](http://www.cutiatx.com)<sup>(6)</sup> and [www.hkexnews.hk](http://www.hkexnews.hk), respectively<sup>(10)</sup> . . . . . Friday, June 9, 2023
  
- from the “IPO Results” function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a “search by ID” function from<sup>(10)</sup> . . . . . 8:00 a.m. on Friday, June 9, 2023 to 12:00 midnight on Thursday, June 15, 2023
  
- from the allocation results telephone enquiry by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from<sup>(10)</sup> . . . . . Friday, June 9, 2023, to Wednesday, June 14, 2023 (excluding Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before<sup>(7)(9)(10)</sup> . . . . . Friday, June 9, 2023

**HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before<sup>(8)(9)(10)</sup> . . . . . Friday, June 9, 2023

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on<sup>(10)</sup> . . . . . Monday, June 12, 2023

*Notes:*

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed “Structure of the Global Offering” in this Prospectus.
  
- (2) If you have already submitted your application through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (3) If there is/are a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 5, 2023, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” for details.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should see “How to Apply for Hong Kong Offer Shares – 6. Applying through the **CCASS EIPO Service**” in this Prospectus for details.
- (5) The Price Determination Date is expected to be on or around Monday, June 5, 2023 and, in any event, not later than Tuesday, June 6, 2023. If, for any reason, we do not agree with the Overall Coordinators (on behalf of the Underwriters) on the pricing of the Offer Shares by Tuesday, June 6, 2023, the Global Offering will not proceed and will lapse.
- (6) None of the website set out in this section or any of the information contained on the website forms part of this Prospectus.
- (7) The Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Monday, June 12, 2023. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications.
- (9) Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer see “How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies – Personal Collection – (ii) If you apply through the **CCASS EIPO** service” for details.

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

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies”.

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Wednesday, May 31, 2023, to Monday, June 12, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering, (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions, and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

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

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

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### IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this Prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Prospectus before you decide to invest in the Offer Shares. In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours. In addition, we have incurred significant operating losses since our inception, and we expect to remain loss making in the near term. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and do not intend to pay any dividends in the near future. Your investment decision should be made in light of these considerations.*

### OVERVIEW











































Founded in 2019, we are an R&D-driven, dermatology-focused biopharmaceutical company focused on the broader dermatology treatment and care therapeutic areas, including localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. We have one Core Product and eight other pipeline product candidates. We also distributed two commercialized products developed by overseas collaboration partners. Our Core Product, CU-20401, is a recombinant mutant collagenase that targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. As of the Latest Practicable Date, we held one patent in relation to our Core Product.

### **WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCT.**

#### **Our Pipeline**

The following chart summarizes the development stage of our major marketed products and product candidates, as well as distributed products as of the Latest Practicable Date.

# SUMMARY

Therapeutic Areas	Candidate <sup>1</sup>	Active Ingredients & Formulation	Indication	OTC / Prescription Drugs	Commercial Rights	Source	Pre-Clinical	IND	Phase I	Phase II	Phase III	Registration	Commercialization	Upcoming Milestone	Expected Commercial Launch	NMPA Registration Classification <sup>10</sup>
Localized Adipose Accumulation Management	CU-20401 <sup>1</sup> ★	Recombinant mutant collagenase	Submental Adipose Accumulation (Submental Fat) Abdominal Adipose Accumulation (Abdominal Fat)	Prescription drug	Asia	Acquired								Initiate Phase II in 3Q2023	2028	1
														Complete Phase I in 2024	2028	
Scalp Disease and Care	CU-40102 <sup>2</sup> ■	Topical finasteride spray	Androgenic Alopecia	Prescription drug	Greater China <sup>9</sup>	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-40101 <sup>4</sup>	Topical small molecule thyroid hormone receptor agonist liniment	Androgenic Alopecia	Prescription drug	Asia	In-licensed								Complete Phase I in 2Q2024	TBD	1
	CU-40103	Topical minoxidil foam	Alopecia	OTC	Global	Self-developed								ANDA submission to NMPA in 3Q2024	2025	3
	CU-40104	Topical dutasteride agent	Androgenic Alopecia	Prescription drug	Global	Self-developed								IND application submission to NMPA in 4Q2024	TBD	2
Skin Disease and Care	CU-10201 <sup>5</sup> ■	Topical 4% minocycline foam	Acne Vulgaris	Prescription drug	Greater China <sup>9</sup>	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-10101 <sup>6</sup>	Topical novel small molecule agent	Atopic Dermatitis	Prescription drug	Greater China <sup>9</sup> , Japan, South Korea and SEA	In-licensed								IND application submission to NMPA in 2Q2024	TBD	1
	CU-10401 <sup>7</sup>	Topical tapinarof cream	Psoriasis	Prescription drug	Greater China <sup>9</sup> , Japan, South Korea and SEA	Acquired								ANDA submission to NMPA in 2026	2027	4
Topical Anesthesia	CU-30101 <sup>8</sup>	Localized topical lidocaine and tetracaine cream	Surface Dermatologic Operations	Prescription drug	Greater China <sup>9</sup>	Acquired								Commence Phase III in 2Q2023	2026	3

★ Denotes Core Product ■ Denotes Key Products ■ Denotes products in registrational trials in China with pilot commercialization in Lecheng, Hainan

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## SUMMARY

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1. In addition to the product candidates listed below, we also entered into agreements for the distribution and marketing of CUP-MNDE and CUP-SFJH in Mainland China. CUP-MNDE has been commercialized by its original developer, Laboratoires Bailleul, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-MNDE in Mainland China while CUP-SFJH has been commercialized by its original developer, VML, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-SFJH in Mainland China.
2. We acquired from Rejuven Dermaceutical Co., Ltd., an Independent Third Party, in August 2020 all of the intellectual property and development results related to CU-20401 in Asia. For more details, see “Business – Collaboration and Licensing Arrangements – CU-20401 Agreement”. We have completed Phase I clinical trial for CU-20401 for subcutaneous adipose accumulation and expect to initiate a Phase II clinical trial of CU-20401 for subcutaneous adipose accumulation in the third quarter of 2023.
3. We in-licensed from Policheim S.A., a subsidiary of Almirall, S.A. (BME: ALM), an Independent Third Party, in November 2020 an exclusive, royalty-bearing, non-assignable and non-sublicensable license to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenic alopecia in Greater China. For more details, see “Business – Collaboration and Licensing Arrangements – CU-40102 Agreement”. CU-40102 is currently in a registration Phase III clinical trial in China and has commenced pilot commercialization in Lecheng, Hainan.
4. We in-licensed from TechnoDerma Medicines Inc., an Independent Third Party, in May 2020 an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indication of hair growth. For more details, see “Business – Collaboration and Licensing Arrangements – CU-40101 Agreement”.
5. We in-licensed from Foamix, an Independent Third Party, in April 2020 an exclusive, royalty-bearing license, under the patents, know-how and trademarks, with the right to sublicense to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China. For more details, see “Business – Collaboration and Licensing Arrangements – CU-10201 Agreement”. The Phase III bridging clinical trial of CU-10201 for moderate-to-severe acne vulgaris sponsored by us was initiated in September 2021. We completed the primary endpoint read-out for the Phase III bridging clinical trial in February 2023.
6. We in-licensed from Wuhan Yingnashi Pharmaceutical Co., Ltd., an Independent Third Party, in November 2019 the exclusive rights in relation to CU-10101 in Greater China, Japan, South Korea and SEA.
7. We acquired from Wuhan Yingnashi Pharmaceutical Co., Ltd., an Independent Third Party, in June 2020 all development results and intellectual property rights in relation to CU-10401 in Greater China, Japan, South Korea and SEA.
8. We acquired from Sparkmed Research, LLC, an Independent Third Party, in November 2019 all the intellectual property and ownership of CU-30101 in Greater China. We initiated the Phase III clinical trial in April 2023. For more details, see “Business – Topical Anesthesia”.
9. Including Mainland China, Hong Kong, the Macau Special Administrative Region and Taiwan.
10. As advised by the PRC Legal Advisers, for the product candidates that have not obtained IND approval, the NMPA Registration Classification is subject to the confirmation by the NMPA.

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## SUMMARY

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### *Localized Adipose Accumulation Management Medication*

- *Core Product CU-20401.* CU-20401 is an acquired recombinant mutant collagenase that targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. We acquired CU-20401 from Rejuven Dermaceutical Co., Ltd. in August 2020. CU-20401 is being reviewed and will potentially be approved by the NMPA as a drug to be administered by registered healthcare practitioners. The route of administration of CU-20401 is subcutaneous injection. Fat cells are normally attached to the extracellular matrix composed of collagen network. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes. CU-20401 is a recombinant collagenase II with the E451D mutation. The recombinant with the E451D mutation does not affect enzyme-substrate binding, but decreases enzymatic cleavage rate in vivo. CU-20401 is modified with reduced rate to catalyze the collagen degradation and is effective to reduce adipose accumulation with mild catalytic activity, thus reducing the adverse effects of wild-type collagenase, such as bruising and pain. The modification of E451D mutation for CU-20401 was carried out before our acquisition of CU-20401. The formulation of CU-20401 includes recombinant mutant collagenase, tromethamine, sucrose, calcium chloride, dihydrate hydrochloric acid and water. We have completed Phase I clinical trial on human subjects for CU-20401 for submental adipose accumulation (submental fat) and are conducting another Phase I clinical trial for abdominal adipose accumulation (abdominal fat). The significance of Phase I clinical trial is that its results suggested that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation (submental fat). As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate a Phase II clinical trial of CU-20401 for submental adipose accumulation (submental fat) in the third quarter of 2023 to evaluate its efficacy profiles.

### *Scalp Diseases and Care*

- *Key Product CU-40102.* CU-40102 is an in-licensed product and the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China. We in-licensed CU-40102 from Polichem S.A. in November 2020. Finasteride can treat androgenetic alopecia in male patients by acting as a competitive and specific inhibitor of Type II 5-alpha reductase to inhibit the conversion of testosterone to DHT in the scalp.

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- *CU-40101*. CU-40101 is an in-licensed topical liniment to treat androgenetic alopecia. We in-licensed CU-40101 from TechnoDerma Medicines Inc. in May 2020. It contains a potent small molecule hormone receptor agonist that binds to thyroid receptor in hair follicle cells and induces hair growth. CU-40101 is to be applied to the scalp directly, reducing systemic exposure to the drug and the associated adverse effects.
- *CU-40103*. CU-40103 is a self-developed topical minoxidil foam for the treatment of alopecia. The active ingredient, minoxidil, is widely used and proven efficacious in clinical practice for both male and female hair regrowth.
- *CU-40104*. CU-40104 is a self-developed topical dutasteride to treat androgenetic alopecia. CU-40104's topical formulation is being developed for direct dutasteride application to the site of action on the scalp. The topical formulation is expected to reduce systemic exposure and side effects as compared with oral dutasteride.

### *Skin Diseases and Care*

- *Key Product CU-10201*. CU-10201 is an in-licensed product and the first and only topical minocycline approved for acne vulgaris treatment globally and the only topical minocycline under clinical development in China. We in-licensed CU-10201 from Foamix Pharmaceuticals Ltd. in April 2020. FDA approved CU-10201 for the treatment of moderate to severe acne vulgaris in the United States in 2019 under the brand name Amzeeq™ with Foamix Pharmaceuticals Inc. as the marketing authorization holder.
- *CU-10101*. CU-10101 is an in-licensed non-hormonal, small molecule drug targeting atopic dermatitis. We in-licensed CU-10101 from Wuhan Yingnashi Pharmaceutical Co., Ltd. in November 2019.
- *CU-10401*. CU-10401, an acquired aryl hydrocarbon receptor (AhR) targeted non-steroidal small molecule chemical drug in topical form, is a generic tapinarof cream targeting psoriasis currently being developed in pre-clinical stage. We acquired CU-10401 from Wuhan Yingnashi Pharmaceutical Co., Ltd. in June 2020. The active ingredient of CU-10401, tapinarof, is reported to bind and activate AhR, decrease pro-inflammatory cytokines, and regulate skin barrier protein expression to promote skin barrier normalization.

### *Topical Anesthesia*

- *CU-30101*. CU-30101 is an acquired localized lidocaine and tetracaine compound topical anesthesia cream. We acquired CU-30101 from Sparkmed Research, LLC. in November 2019.

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### *Distributed Products*

- *CUP-MNDE*. CUP-MNDE is a commercialized, over-the-counter minoxidil spray indicated for alopecia developed by Laboratoires Bailleul International S.A. We have exclusive distribution rights to develop the distribution and marketing of CUP-MNDE in Mainland China. Laboratoires Bailleul International S.A. is the market authorization holder. We commenced distribution with the brand name Bailleul® in January 2022 in Mainland China excluding Hong Kong, Macao and Taiwan.
- *CUP-SFJH*. CUP-SFJH, as a cosmetic product, is a commercialized hair growth serum featuring a non-hormonal formula of natural plant extracts developed by Van Montfort Laboratories B.V. We have exclusive distribution rights to develop the distribution and marketing of CUP-SFJH in Mainland China. Van Montfort Laboratories B.V. is the market authorization holder of CUP-SFJH. We commenced commercialization with the brand name ESTHECIN® in August 2022 in Mainland China excluding Hong Kong, Macao and Taiwan.

### **ADDRESSABLE MARKETS AND COMPETITIVE LANDSCAPE OF CORE PRODUCT**

CU-20401 is developed as a localized adipose accumulation management medication for dermatology treatment. China's localized adipose accumulation management medication market is still at an early stage of growth with no approved products. However, according to Frost & Sullivan, the market size of localized adipose accumulation management medication is estimated to grow because (i) a number of localized adipose accumulation medications are expected to be approved in China, (ii) the recognition and availability of localized adipose accumulation medications continue to improve due to their increased safety profiles and ease of treatment, (iii) China's obese and overweight population that can receive adipose accumulation management medication is estimated to continue to grow, (iv) patients receiving adipose accumulation management medication generally demonstrate a high re-purchase rate in order to maintain the desired results, (v) the education and promotion of physicians by each product manufacturer continues to increase the clinical penetration of the products, (vi) the clinical use of the products in hospitals will increase the credibility of the products and the number of users. For details, see "Industry Overview" section in this Prospectus. The market size of localized adipose accumulation management medications for labelled use is expected to grow from RMB86.7 million in 2023 to RMB514.4 million in 2025, representing a CAGR of 143.6% from 2023 to 2025. The market in 2030 is expected to reach RMB2,439.9 million, representing a CAGR of 36.5% from 2025 to 2030. According to Frost & Sullivan, the number of female and male targeted patients with adipose accumulation in China in 2021 is 170.1 million and 181.9 million, respectively, and is expected to reach 210.7 million and 223.6 million, respectively, in 2030. The addressable market of the Core Product only constitutes a very small subset of the entire broader dermatology treatment and care market in China.

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An individual has three statuses with respect to body weight from normal weight to obesity, namely normal weight, overweight and obesity. Overweight and obesity are defined as abnormal or excessive fat accumulation that increases the risk of noncommunicable diseases, including (i) cardiovascular diseases, which are mainly heart disease and stroke, the leading cause of death in recent years; (ii) diabetes; (iii) musculoskeletal disorders, especially osteoarthritis, a highly disabling degenerative disease of the joints; and (iv) some cancers, including endometrial, breast, ovarian, prostate, liver, gallbladder, kidney, and colon cancers. In China, normal weight is defined as a body mass index between 18.5 kg/m<sup>2</sup> and 23.9 kg/m<sup>2</sup>, overweight is a body mass index of more than or equal to 24 kg/m<sup>2</sup>, and obesity is a body mass index of more than or equal to 28 kg/m<sup>2</sup> in adults. As a potential Class I New Drug to be approved by the NMPA, CU-20401 targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. The trial sponsor is required to conduct Phase I, II and registrational clinical studies on CU-20401, with multiple dosing and follow-up visits during the study or treatment cycle. As advised by our PRC Legal Advisor, CU-20401 is regulated by the Regulations for the Implementation of the Drug Administration Law of the PRC. After its launch, we plan to implement an academic-oriented promotion and commercialization strategy. Our medical institution network is expected to cover 20 Class III Grade A hospitals in more than 10 cities in Eastern and Northern China in the first two years after its market launch. Since CU-20401 is a prescription-only medication, it is, under the Order of the State Drug Administration on Promulgating the Measures for the Classified Administration of Prescription Drugs and Over-the-Counter Drugs, required to be prescribed by a licensed Practicing Physician or Assistant Practicing Physician at a medical institution with the Medical Practice License.

We commenced and completed the Phase I clinical trial on human subjects for CU-20401 for submental adipose accumulation (submental fat) in February 2022 and November 2022, respectively. We commenced the Phase I clinical trial on human subjects for CU-20401 for abdominal adipose accumulation (abdominal fat) in December 2021.

According to Frost & Sullivan, currently there is no standard of care to manage localized adipose accumulation as recommended under national and international guidelines, and that in China, no adipose tissue management product has been certified as a drug to date. In China, there are a few adipose tissue management products approved by the NMPA, but those are cosmetic products that are approved for topical application only and are not indicated for adipose accumulation management administration into the human body. Most currently available products are composed of natural extract and peptides, which can only temporarily shrink fat cells, but there is insufficient evidence to suggest they permanently decompose fat cells to achieve long-term efficacy and desired outcomes. For details, see “Industry Overview” section in this Prospectus.

The table below sets forth the competitive landscape of our Core Product CU-20401 in China. Three product candidates are in clinical trial stages in China. Deoxycholic acid, which has the most advanced clinical program to date, may have first-mover advantage in the market. CU-20401 is not proposed or intended to be the sole option for addressing obesity, overweight,



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and other localized adipose accumulation associated metabolic diseases. It also may be challenging for us to obtain approval for the use of CU-20401 for abdominal adipose accumulation as no similar drugs have been approved for the same indication.

Drug	Registration Classification <sup>(1)</sup>	Applicant	Indication	Stage	First Posted Date <sup>(2)</sup>
Deoxycholic Acid	3	Nanjing Noratech	Improvement in moderate to severe contour bulging/excessive facial fullness due to the accumulation of submental fat in adults	Phase III	2021/09
CU-20401	1	Cutia	Improvement in submental adipose accumulation in adults Improvement in abdominal adipose accumulation in adults	Phase I completed Phase I (ongoing)	2021/08
Deoxycholic Acid	3	Nanjing Minova	Submental fat	IND Approval	2021/07

*Notes:*

1. Registration Classification:

Class 3: Drugs manufactured by domestic applicants by imitating the original drugs that have been marketed overseas but not yet in China

Class 1: Innovative drugs that have not been marketed in China or overseas

2. First posted date denotes the date when the trial is first publicly announced on the CDE website. Information as of November 4, 2022. Phase I trial of CU-20401 in submental adipose accumulation has been completed.

3. Deoxycholic acid (Kybella) is an approved localized adipose accumulation management medication globally indicated for improvement in the appearance of moderate to severe convexity or fullness associate with submental fat in adults. A Phase II clinical trial of Sisram Medical Ltd. (Sisram)'s product candidate RZL-012 has been completed in the U.S. Sisram planned to commence a Phase III clinical trial in China, and such trial has not commenced as of the Latest Practicable Date.

4. According to Frost & Sullivan, in the Phase III trials of Kybella, adults with a moderate or severe amount of SMF (as graded by both the clinician using CR-SMFRS and the patient using PR-SMFRS) who were dissatisfied with the appearance of their face/chin based on rating of the SSRS were randomized 1:1 to either Kybella or placebo for up to 6 treatment sessions (every 28 ± 5 days), and efficacy assessments were conducted at 12 weeks after last treatment.

The primary endpoints were percentage of patients who achieved a ≥1-grade improvement in SMF from baseline based on both clinician (CR-SMFRS) and patient (PR-SMFRS) assessment (composite CR-1/PR-1 response), and percentage of patients who achieved a ≥2-grade improvement in SMF from baseline (composite CR-2/PR-2 response). Secondary endpoints included the percentage of patients who achieved a ≥10% reduction from baseline in submental volume based on MRI and mean change from baseline in the psychological impact of SMF using PR-SMFIS.

Safety was assessed throughout the trials via spontaneous reports of adverse events and findings from clinical laboratory tests, vital sign assessments, and physical examinations.

Source: CDE, Frost & Sullivan analysis

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We position CU-20401 as a potential Class I New Drug to be approved by the NMPA indicated for obesity, overweight, or other localized adipose accumulation associated metabolic diseases rather than for aesthetic purposes, which would be prone to off-label uses.

The NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to liability. According to Drug Administration Law, off-label uses of drugs will be identified as a counterfeit drug. Whoever produces or sells any counterfeit drug shall be ordered to suspend production and business for rectification and its illegal proceeds derived therefrom confiscated and its relevant drug approval certificate revoked, and concurrently be imposed a fine of not less than 15 times but not more than 30 times the value of the drug illegally produced and sold. If the circumstances are deemed to be serious by the NMPA, the company's drug production license, drug business license or pharmaceutical preparation license for medical institutions shall be revoked, for which no application by it will be accepted for ten years. In addition to adhering to the national regulation, we aim to adopt the following measures to prevent off-label use of CU-20401: (i) provide one-month trainings to educate physicians before administration of CU-20401, and provide notice that CU-20401 is indicated for adipose accumulation, and accordingly shall only be prescribed for such indications, and that physicians should prescribe medications only for NMPA-approved indications and avoid off-label uses to ensure compliance with relevant legal requirement; (ii) maintain close communication with KOLs and clinical experts with the aim to ensure the proper administration and prescription of CU-20401, and implement a reporting mechanism and form a dedicated market inspection team to coordinate with medical institutions to ensure prescription compliance with relevant legal requirements. We may suspend product supply or terminate the relevant distribution arrangements pursuant to the relevant contracts, if the medical institution fails to comply with the legal prescription requirements and rectify within the prescribed time.

Despite the measures to be taken above, there remains the risk that our CU-20401, upon regulatory approval, is subject to off-label drug use and is prescribed in a patient population, dosage or dosage form that has not been approved by relevant authorities. This occurrence may render our CU-20401, upon regulatory approval, less effective or entirely ineffective and may cause adverse drug reactions. Any of these occurrences can create negative publicity and significantly harm our business reputation, product brand name, commercial operations and financial condition, including our share price upon listing. These occurrences may also expose us to liability and cause, or lead to, a delay in the progress of our clinical trials and may also ultimately result in failure to obtain regulatory approval for our drug candidates. For details, see "Risk Factors" in this Prospectus.

### OUR STRENGTHS

We believe the following strengths differentiate us from our competitors:

- Well-positioned in the broader dermatology treatment and care industry to capture market potential

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## SUMMARY

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- Integrated capabilities covering the entire broader dermatology treatment and care industry value chain
- Continuous innovation driven by our customer-centric philosophy, proprietary CATAME<sup>®</sup> technology platform
- Comprehensive pipeline captures large market potential and unmet needs
- Experienced Management Team

### OUR STRATEGIES

We plan to pursue the following significant opportunities and execute our key strategies accordingly:

- Focus on customer needs and utilize integrated industrial capabilities to provide alternative dermatology management solutions
- Continue to advance the clinical development of our product portfolio
- Expand our ecosystem coverage and build our commercialization team
- Expand our presence

### RESEARCH AND DEVELOPMENT

We have developed our clinical and pre-clinical pipeline through a combination of self-development and licensing arrangements. Leveraging our R&D experience in the broader dermatology treatment and care fields, including scalp diseases and care, skin diseases and care, localized adipose accumulation management medication and topical anesthesia, we have developed our proprietary CATAME<sup>®</sup> technology platform, which will continue to drive the development and innovations of distinct products.

- Our CATAME<sup>®</sup> technology platform is an integrated R&D platform with high entry barriers. Our CATAME<sup>®</sup> technology platform, which includes Colloidal-Emulsification-Active Encapsulation (CEAE) platform, Aerosol (ARS) platform, Transdermal Delivery (TDD) platform, Actives & Formulation Evaluation (AFE) platform, Micro/Nano-Particulates & Self-Assembly (MiSA) platform and Ex vivo & Efficacy Evaluation (EVEE) platform, is one of the only few platforms in China that facilitate development of products covering a variety types of dermatological diseases. Our CATAME<sup>®</sup> technology platform integrates capabilities to customize transdermal delivery characteristics of drugs, develop micron and nano-sized particulates, evaluate formulation quality and stability and perform cutaneous pharmacokinetic analysis during the development process. The CATAME<sup>®</sup>

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technology platform enables the development of a wide range of product dosage forms and the relevant formulation technology. Through the platform, we have built a competitive product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

- Leveraging on the CATAME<sup>®</sup> technology platform, we could provide customers a product pipeline consisting of multiple candidates in various dosage forms. Our platform also helps design the most suitable product formats that are key to specific and successful drug delivery.
- During the drug discovery stage, our R&D team explores new chemical entities, structure-activity-relationship analysis based on a thorough biological understanding of the disease. Our R&D team also coordinates and accomplishes pre-clinical R&D activities on the product candidates' pharmacology, pharmacokinetics and toxicology during the drug evaluation stage. Our drug discovery capabilities comprise (i) a targeted screening and validation approach that screens, validates and develops specific biological targets based on unmet medical needs; (ii) multi-functional technology platforms including synthetic chemistry, analytical chemistry, biology, formulation, and toxicology; and (iii) supporting systems including intellectual properties and quality assurance.

As of the Latest Practicable Date, our R&D team consisted of 41 employees. Among our R&D team members, 11 members have obtained master degrees, and seven members held doctorate degrees. Our experienced in-house R&D team comes from a variety of medical backgrounds and have diverse and in-depth knowledge that is critical to strengthening our R&D capabilities in dermatology, topical and transdermal drug formulation and delivery, and synthesis of novel molecules and assemblies. Our medical team covers clinical operations, clinical quality control, pharmacovigilance, and designing, planning and management of multiple clinical trials across China. Our integrated team spans market intelligence, drug discovery, clinical development, business development and regulatory affairs. We benefit from their deep insights into the sciences and the market in developing products that strive to meet our customers' unmet needs. In 2021 and 2022, we recorded R&D costs of RMB110.6 million and RMB180.8 million, respectively. In 2021 and 2022, we recorded R&D costs of RMB19.7 million and RMB23.8 million, respectively, for our Core Product CU-20401.

### INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we held 24 patents and patent applications (including in-licensed patents and patent applications) in Mainland China, Hong Kong and Japan, and two PCT patent applications. The following table sets forth an overview of our material granted patent for our Core Product as of the Latest Practicable Date:

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Product Candidate	Name of Patent	Jurisdiction	Status	Patent Expiration <sup>(1)</sup>	Market Commercial Rights of the Company
CU-20401	A recombinant variant collagenase preparation method and its application	Mainland China	Granted <sup>(2)</sup>	2038-07-30	Exclusive

*Notes:*

- (1) The patent expiration date is estimated based on current filing status, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees.
- (2) The patent was invented by employees of Rejuven. The patent application was filed by Rejuven on July 30, 2018 in Mainland China and issued on May 12, 2020 to Rejuven. Pursuant to the CU-20401 Agreement, Rejuven transferred the patent ownership to us in October 2020. We are the current owner of the patent in Mainland China. After our patent acquisition of CU-20401, Rejuven does not hold any patents in relation to CU-20401 in Asia. We do not have plans to file patent applications for CU-20401 in countries other than China.

We conduct our business under the brand name “Cutia”. As of the Latest Practicable Date, we had 140 registered trademarks and filed 66 trademark applications in Mainland China and Hong Kong. We are also the registered owner of one domain name.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent. To our best knowledge, we are not aware of any potential or material claims or disputes in relation to the infringement of intellectual properties of our products during the Track Record Period.

## COLLABORATION AND LICENSING ARRANGEMENTS

### CU-20401 Agreement

On August 28, 2020, we entered into an agreement (the “**CU-20401 Agreement**”) with Rejuven Dermaceutical Co., Ltd., (“**Rejuven**”), an Independent Third Party and a PRC company specializing in the R&D of pharmaceutical products in China.

The CU-20401 Agreement specified two parts, namely asset transfer and joint collaboration.

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### *Asset Transfer*

Pursuant to the CU-20401 Agreement, Rejuven has exclusively transferred to us all of the intellectual property and development results related to CU-20401 in Asia (“**Asset Transfer**”).

As confirmed by Rejuven, Rejuven was the sole and exclusive owner of the intellectual property rights of CU-20401 worldwide before the Asset Transfer. After the Asset Transfer, we are the sole and exclusive owner of the intellectual property rights of CU-20401 in Asia and Rejuven is the sole and exclusive owner of the intellectual property rights of CU-20401 in areas outside Asia. We are the market authorization holder of CU-20401 in all markets within Asia. Before, during and after the launch of CU-20401, we have exclusive rights to develop, manufacture and commercialize CU-20401 in Asia for all existing and future potential indications, including but not limited to adipose accumulation management and other indications such as cellulite repair and scar modification. To our best knowledge, we are the sole and exclusive company to have acquired the intellectual property rights of CU-20401 in Asia and based on the confirmation of Rejuven, such intellectual property rights had not been granted by Rejuven to other parties before the Asset Transfer.

As of the Latest Practicable Date, all such intellectual property and information, including know-how, had been transferred to us. We will be the sole owner of any improvements to the transferred patents and data and IP rights that are discovered, generated, developed, invented or created by us in Asia. We will develop and commercialize CU-20401 at our own costs and expenses in Asia, and we are entitled to the ownership and rights with respect to our R&D work of CU-20401 within Asia.

For the Asset Transfer, we are required to pay an aggregate of RMB20.0 million in non-refundable upfront fees. As of December 31, 2022, we had paid RMB20.0 million as the non-refundable upfront fee.

The Asset Transfer has been irrevocably completed and settled, and nothing will invalidate, void or reverse our exclusive ownership of intellectual property rights for CU-20401 in Asia and will not affect our R&D, manufacturing and commercialization activities in Asia in all material aspects because after such Asset Transfer, we are the sole and exclusive owner of the intellectual property rights of CU-20401 in Asia. The patent transfer has also been recorded with the China National Intellectual Property Administration, and thus we are currently the registered patent owner of the patent for CU-20401 under China Patent Law.

### *Joint Collaboration*

Both parties formed a joint steering committee (“**Joint Steering Committee**”) and held the first meeting. The Joint Steering Committee consisted of two members appointed by each party to regularly discuss the development plan of CU-20401 for current and future expanded indication, and coordinate resources to ensure the effective advancement of the development (“**Joint Collaboration**”) plan for current and future indication expansion. We act as the principal party responsible for executing the clinical development plan formulated together

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## SUMMARY

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with Rejuven and Rejuven is primarily responsible for advising on the development plan of CU-20401 in Asia. Rejuven will also provide assistance and support in our R&D, manufacturing and registration of CU-20401 in Asia. Rejuven can monitor its clinical progress in the U.S. based on our clinical progress and study results in Asia. We will discuss any adverse event in the clinical results. We do not make any representations and undertakings in the event of unfavorable clinical results. For matters that need to be decided in the development plan, the Joint Steering Committee shall discuss and give a resolution by a majority vote of the Joint Steering Committee members. Each member of the Joint Steering Committee shall have one vote, and if a resolution cannot be made or is disputed, our CEO shall have the final-decision marking authority.

In connection with the Joint Collaboration, we are required to pay Rejuven an aggregate of (i) RMB40.0 million of development milestones payments, and such development milestones include successful completion of first-patient-in in Asia and receipt of regulatory approval for marketing in Asia, (ii) an aggregate of RMB35.0 million of commercial milestones upon achievement of specific levels of aggregate annual net sales for CU-20401 in Asia, and (iii) tiered royalty payments calculated as a percentage of annual net sales of CU-20401 in Asia after its market launch, including (a) 4% of annual net sales of CU-20401 in Asia if the annual net sales are within a specific level, and (b) a further negotiated percentage if the annual net sales of CU-20401 in Asia is more than another specific level. We are not required to pay any tiered royalty payments before the launch of CU-20401 in Asia. As of December 31, 2022, we had paid RMB5.0 million as the first installment of development milestone payment upon first-patient-in of Phase I clinical trial in China.

Unless terminated earlier, the Joint Collaboration was effective on August 28, 2020 and will expire 20 years after the first commercial launch of CU-20401. After expiration, we are still entitled to continue all development, manufacturing commercialization activities related to CU-20401 in Asia.

The Joint Collaboration can be terminated on the following conditions: (i) a change in management or ownership of a counterparty that materially affects or impedes that party's performance for the Joint Collaboration under the CU-20401 Agreement, which includes, a change in control that leads to (a) our failure to initiate an IND application with any competent authorities in Asia within two years of signing the agreement or failure to complete the first-patient-in in the Phase I clinical trial in Asia within three years; and (b) a delay of more than six months in the CU-20401 clinical progress compared to the development plan, and the breaching party fails to make restitution or cure within 60 days after receiving a written notice from the other party; (ii) insolvency events that a party loses the ability to pay its debts or files for bankruptcy and has appointed an administrator of the bankruptcy estate to administer all or a portion of its assets, or (iii) either party breaches the CU-20401 Agreement and the breaching party fails to make restitution or cure within 10 days after receiving a written notice from the other party or within a mutually agreed period of time.

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In the event of expiry or termination of the CU-20401 Agreement, (i) only Asset Transfer will remain to be effective while Joint Collaboration will also to be ceased and our obligation to pay milestone payment and tiered royalty payment for the Joint Collaboration will also cease. In the event of termination of the CU-20401 Agreement, (i) we should stop using, return or destroy all Rejuven's documents, which Rejuven delivered to us, which includes patent documents, clinical trial documents and others that are not immaterial to our R&D of CU-20401 in Asia after Asset Transfer, (ii) we need to compensate for all direct losses caused to Rejuven if we fail to make development milestone payments twice or more than twice. If the clinical progress of CU-20401 is delayed for more than six months due to the breaching party's failure to perform its contractual obligations, the breaching party shall compensate all direct losses and additional RMB1.0 million to the other party. In that case, Rejuven should compensate all our direct losses, including but not limited to our settled milestone and royalty payments.

We believe the likelihood that Rejuven will terminate the CU-20401 Agreement is low because (i) the mutual benefit for the Joint Collaboration, Rejuven is our close collaboration partner in Asia and we believe its interest is substantially aligned with us, which would be negatively affected by the termination of the Joint Collaboration; (ii) during the Track Record Period and up to the Latest Practicable Date, we communicated with Rejuven regarding our R&D activities performed and anticipated R&D plans for CU-20401, and we did not experience any conflicts or major issues with Rejuven and Rejuven had not raised any concerns on our clinical progress for the Joint Collaboration; (iii) we had not encountered any significant delays in the clinical progress of CU-20401, even during the COVID-19 pandemic in 2022. In case of termination of Joint Collaboration, we believe its impact on our R&D, manufacturing and commercialization of CU-20401 in Asia is immaterial as (i) we are the main responsible party for development and commercialization of CU-20401 to advance the project and Rejuven is to provide assistance and advice to our development plan during the Joint Collaboration, (ii) during the Track Record Period and as of the Latest Practicable Date, our R&D of CU-20401 in China did not substantially depend on Rejuven's assistance.

### **CU-40102 Agreement**

On November 2, 2020, we entered into a licensing agreement (the "**CU-40102 Agreement**") with Polichem S.A. ("**Polichem**"), a subsidiary of Almirall, S.A. (BME: ALM) ("**Almirall**"), an Independent Third Party.

Pursuant to the CU-40102 Agreement, Polichem granted to us an exclusive, royalty-bearing, non-assignable and non-sublicensable license to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenetic alopecia in Greater China consisting of Mainland China, Taiwan, Hong Kong and Macao.

In consideration of the licenses and rights granted to us, the down payments and the maximum milestone payments payable by us amount to €13.8 million in the aggregate, which includes €5.25 million non-refundable down payments and €8.5 million milestone payments



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## SUMMARY

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consisting of commercial milestone payments. We are also obligated to pay tiered royalties of single digit percentage of annual net sales of CU-40102. As of the Latest Practicable Date, we had paid €4 million under the CU-40102 Agreement, which was part of the non-refundable down payments. We expect to pay the remaining non-refundable down payment upon the marketing authorization by NMPA and the successful first sales of CU-40102.

Unless otherwise terminated, the term for the CU-40102 Agreement is 15 years with automatic renewals.

### **CU-40101 Agreement**

On April 17, 2020, we entered into a licensing agreement (the “**CU-40101 Agreement**”) with TechnoDerma Medicines Inc. (“**TechnoDerma**”), an Independent Third Party.

Pursuant to the CU-40101 Agreement, TechnoDerma grants to us an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indication of hair growth (the “**CU-40101 Field**”). We will develop, obtain marketing authorization and commercialize CU-40101 at our own costs and expenses and conduct commercialized activities in the CU-40101 Field in Asia.

In consideration of the licenses and rights transferred to us, we are required to pay an aggregate of RMB60.0 million including non-refundable upfront fees of RMB15.0 million and development milestone payments of RMB45.0 million. We are also required to make payments when commercial milestones are met, which relate to the amount of aggregate net sales, such as tiered royalty payments calculated as a low single digit percentage of net sales of CU-40101 in Asia. As of the Latest Practicable Date, we had paid non-refundable upfront fees of RMB15.0 million and development milestone payments of RMB5.0 million under the CU-40101 Agreement.

The term for the CU-40101 Agreement is 20 years from launch of CU-40101. Unless terminated earlier, the CU-40101 Agreement will continue in full force and effect.

### **CU-10201 Agreement**

On April 21, 2020, we entered into a licensing agreement (the “**CU-10201 Agreement**”) with Foamix, an Independent Third Party. Pursuant to the CU-10201 Agreement, we are granted an exclusive, royalty-bearing license, under the patents, know-how and trademarks, with the right to sublicense to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China including Mainland China, Taiwan, Hong Kong and Macao. Foamix later merged into VYNE Therapeutics Inc. in later 2021. VYNE Therapeutics Inc. had assigned rights and obligations of Foamix under CU-10201 Agreement to Journey Medical Corporation effective as of January 12, 2022.

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## SUMMARY

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In consideration of the licenses and rights granted to us, the non-refundable upfront payments and the maximum milestone payments payable by us amount to US\$11.0 million in the aggregate, which includes US\$10.0 million upfront payments and US\$1.0 million milestone payment within 30 business days after the first regulatory approval of the CU-10201 by the NMPA. We are also obligated to pay tiered royalties of single digit percentage of annual net sales of CU-10201. As of the Latest Practicable Date, we had paid US\$10.0 million under the CU-10201 Agreement.

Unless terminated earlier, the CU-10201 Agreement will continue in full force and effect the later of (i) ten years from the date of first commercial sales of CU-10201 in Greater China and (ii) expiration of the last valid claim of patent covering CU-10201 in Greater China.

### **CUP-MNDE Agreement**

On June 1, 2021, we entered into a distribution agreement (the “**CUP-MNDE Agreement**”) with Laboratoires Bailleul International S.A. (“**Laboratoires Bailleul**”), an Independent Third Party. Pursuant to the CUP-MNDE Agreement, Laboratoires Bailleul grants to us individual, direct and exclusive distribution rights to develop the distribution and marketing of the CUP-MNDE in Mainland China excluding Hong Kong, Macao and Taiwan. Laboratoires Bailleul also authorizes us to use the logos and commercial brands of CUP-MNDE in Mainland China. We shall obtain all necessary marketing authorization and/or registration of the products from the relevant authorities in Mainland China either alone, or with the assistance of Laboratoires Bailleul or a local Independent Third Party chosen by Laboratoires Bailleul. Unless terminated earlier, the CUP-MNDE Agreement has an initial term beginning on June 1, 2021, and ending on May 31, 2024 with automatic annual renewal thereafter unless it is terminated by written notice by either party at least three months before the expiration date.

### **CUP-SFJH Agreement**

On September 1, 2021, we entered into a distribution agreement (the “**CUP-SFJH Agreement**”) with Van Montfort Laboratories B.V. (“**VML**”), an Independent Third Party. Pursuant to the CUP-SFJH Agreement, VML grants to us the individual, direct and exclusive distribution rights within Mainland China excluding Hong Kong, Macao and Taiwan for CUP-SFJH. VML also authorizes us to use the logos and commercial brands of CUP-SFJH in the Mainland China during the term and in pursuit of the CUP-SFJH Agreement. The CUP-SFJH Agreement has an initial term beginning on September 1, 2021, and ending on December 31, 2024 with automatic renewal thereafter annually unless it is terminated by written notice at least three months before the expiration date.

### **CUSTOMERS**

During the Track Record Period, apart from our five largest customers in each year who are our distributors, our customers are all individual customers. The total revenue generated from our five largest customers in each year amounted to RMB381,000 and RMB4,646,000 in

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## SUMMARY

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2021 and 2022, respectively. In 2021 and 2022, our five largest customers in each year together accounted for 18.7% and 40.9%, respectively, of our total revenues in the same years, and our largest customer accounted for 18.7% and 39.4%, respectively, of our total revenues in the same years. None of our five largest customers in each year is our supplier.

To the best of our knowledge, all of our five largest customers in each year during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers in each year during the Track Record Period.

### SUPPLIERS

During the Track Record Period, we primarily procured raw materials and equipment to develop and manufacture our product candidates from reputable manufacturers and suppliers. Our purchases mainly include third-party contracting services (CRO and CDMO services) for pre-clinical evaluation and clinical trials of our product candidates and raw materials, and equipment. In 2021 and 2022, our purchases from our five largest suppliers in each year in the aggregate accounted for 59.4% and 43.6% of our total purchases (including value-added tax), respectively, and our purchases from the largest supplier accounted for 28.2% and 15.9% of our total purchases (including value-added tax), respectively.

To the best of our knowledge, all of our five largest suppliers in each year during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers in each year during the Track Record Period.

### OUR SALES, DISTRIBUTION AND MARKETING

We implement our marketing strategy primarily through online and offline channels. We have established a duo-channel distribution network to effectively reach our customers. Our distribution network includes direct sales and sales to distributors. As our reputation and capacity in developing and manufacturing high quality product candidates for broader dermatology treatment and care continues to grow, we plan to expand our sales network to mass market.

#### Product Pricing

We formulate, and implement, a reasonable pricing strategy for our marketed products to stay competitive and profitable. We take into account a number of factors in determining our prices, which primarily include our R&D, production and marketing costs and expenses, the perceived value of products, our market share and the competitive landscape.

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## SUMMARY

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Currently, none of our commercialized products have been included into the National Reimbursement Drug List (“**NRDL**”) or National Essential Drug List (“**NEDL**”). In order to gain market share against existing and future branded and generic competitors, we will also consider seeking inclusion of some of our products into the NRDL or NEDL and other reimbursement programs. As of now, our products are mainly in the clinical development or pilot commercialization stages, and since both NRDL and NEDL utilize a dynamic adjustment mechanism, they could potentially be eligible for either list and confirmation from the competent authority is required to verify their eligibility, as advised by our PRC Legal Advisor. As of the Latest Practicable Date, as advised by our PRC Legal Advisor, the inclusion in the NRDL of localized adipose accumulation medication for the treatment of obesity disease are not mandatory. As of the date of this prospectus, we did not plan to seek inclusion of our Core Product into public reimbursement programs due to pricing considerations. We may seek alternatives such as commercial private insurance coverage of our products and expand our sales channels and explore new collaboration partnerships, such as engaging more distribution partners in China, to maximize the sales potential of our products and enhance our commercialization capability, especially on customer reach. Currently, we collaborate with reputed hospitals for clinical trials of CU-20401 in China. After its launch, we plan to implement an academic-oriented promotion and commercialization strategy pursuant to which we plan to market and sell CU-20401 to qualified medical institutions that hold the Medical Practice License.

As advised by our PRC Legal Advisor, the laws and regulations governing PRC pharmaceutical operation and internet pharmaceutical transaction services are not applicable to our dealing of CUP-MNDE and CUP-SFJH. Such laws and regulations are applicable to the activities of drugs production and transaction within the jurisdiction of the PRC, whereas we do not sell any drugs through our own websites or provide any third parties with internet drug trading services. Our distribution of products is generally conducted by Cutia HK, which is incorporated in Hong Kong and procures CUP-MNDE and CUP-SFJH for distribution. Cutia HK directly sells CUP-MNDE and CUP-SFJH to customers through the Tmall Global e-commerce platform and sells another portion of CUP-MNDE through a distributor in Hong Kong, which then sells our products to a sub-distributor, JD Health. Pursuant to the Customer Notice (消費者告知書/用戶須知) displayed on the websites of such third-party cross-border e-commerce platforms, purchases of products thereon are deemed to be overseas purchases, which is acknowledged by the customers. Our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-MNDE and CUP-SFJH.

As advised by our PRC Legal Advisor, we are in compliance with all material applicable rules and regulations relevant to the two-invoice system in the PRC.

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## SUMMARY

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### OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan), the 6 Dimensions Entities will be in aggregate interested in approximately 49.82% of the total issued share capital of our Company and will be our Controlling Shareholders as defined under the Listing Rules upon Listing. For more details, see “Relationship with our Controlling Shareholders” in this Prospectus.

### OUR PRE-IPO INVESTORS

The Pre-IPO Investments included Series A-1 and Series A-2 Financing, Series B Financing and Series C Financing. The total funds raised by the Company from the Pre-IPO Investments were approximately US\$275 million. Our Pre-IPO Investors include professional investors principally engaged in equity investments in the healthcare sector. The Sophisticated Investors of the Company include but are not limited to Sequoia Capital China Growth, which will be interested in approximately 11.28% of the total issued share capital of our Company upon Listing. For more details, see “History, Development and Corporate Structure – Pre-IPO Investments”.

### DILUTIVE EFFECT UNDER THE PRE-IPO EQUITY INCENTIVE PLAN

Assuming full vesting and exercise of all outstanding options and share awards under the Pre-IPO Equity Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment option is not exercised) will be diluted by approximately 18.67%.

### SUMMARY OF KEY FINANCIAL INFORMATION

#### Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Revenue	2,038	11,366
Gross profit	1,610	7,938
Other income and gains	9,517	105,696
Selling and distribution expenses	(6,292)	(35,934)
Research and development costs	(110,558)	(180,756)
Administrative expenses	(64,745)	(100,452)
Fair value losses on convertible redeemable preferred shares	(120,330)	(327,097)
Loss and total comprehensive loss for the year	<u>(319,581)</u>	<u>(555,836)</u>

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We have incurred operating losses during the Track Record Period. Our loss before taxation was RMB319.6 million and RMB555.8 million for 2021 and 2022, respectively. Substantially all of our loss resulted from research and development costs and administrative expenses, with the increase as a result of the expansion of our business operations.

During the Track Record Period, substantially all of our revenue was generated from the sale of our scalp diseases and care products, skin diseases and care products, and Routine Skin Care Products. We expect to continue to generate most of our revenue from such source and expand our revenue sources upon the commercialization of our product candidates. In 2021 and 2022, we recorded revenue of RMB2.0 million and RMB11.4 million, respectively. During the Track Record Period, all of our revenue was derived from customers located in Greater China.

Gross profit represents our revenue less our cost of sales. Gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB1.6 million and RMB7.9 million in 2021 and 2022, respectively. Our gross profit margin reached 79.0% and 69.8% during the same years, respectively.

During the Track Record Period, our R&D costs consisted of staff costs, share-based payment expenses, acquisition/licensing-in expenses, third-party contracting costs, depreciation and amortization and others. In 2021 and 2022, we recorded R&D costs of RMB110.6 million and RMB180.8 million, respectively.

Our fair value losses on convertible redeemable preferred shares represented the changes in fair value of the convertible redeemable preferred shares in relation to our pre-IPO investments. In 2021 and 2022, we recorded fair value losses on convertible redeemable preferred shares of RMB120.3 million and RMB327.1 million, respectively. For more details regarding preferred shares, see the paragraph headed “History, Development and Corporate Structure – Pre-IPO Investments” in this Prospectus. The fair value changes of convertible redeemable preferred shares adversely affected our financial performance in 2021 and 2022 and will continue to affect our financial performance during and subsequent to the Track Record Period until the conversion of preferred shares into ordinary shares upon Listing.

For more details, see “Financial Information – Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income.”

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## SUMMARY

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### Summary of Consolidated Statements of Financial Position

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

	As of December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Total non-current assets	93,156	301,380
Total current assets	1,401,725	1,145,425
<b>Total assets</b>	<b>1,494,881</b>	<b>1,446,805</b>
Total current liabilities	19,250	77,402
Total non-current liabilities	2,266,140	2,615,719
<b>Total liabilities</b>	<b>2,285,390</b>	<b>2,693,121</b>
<b>Net current assets</b>	<b>1,382,475</b>	<b>1,068,023</b>
Net liabilities	(790,509)	(1,246,316)

We had net current assets of RMB1,382.5 million as of December 31, 2021, as compared to net current assets of RMB1,068.0 million as of December 31, 2022. This decrease was primarily due to an RMB362.0 million decrease in financial assets at FVTPL, which in turn was primarily due to the withdrawal of financial products and an RMB202.5 million decrease in time deposits over three months, primarily in relation to the maturity of our time deposits.

We incurred net liabilities of RMB1,246.3 million as of December 31, 2022, compared to net liabilities of RMB790.5 million as of December 31, 2021, primarily due to (i) losses of RMB555.8 million which in turn was primarily due to the expanded R&D activities in 2022 and (ii) share-based payment expenses of RMB100.0 million which is in line with the new grant of Pre-IPO Equity Incentive Plan in 2022. Upon the Listing, our financial position will turn from net liabilities to net assets position with the automatic and irrevocable reclassification of such Preferred Shares into ordinary shares.

For more details, see “Financial Information – Discussion of Certain Selected Items From The Consolidated Statements of Financial Position”.

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## SUMMARY

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### Summary of Consolidated Statements of Cash Flows

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

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
<b>Net cash flows used in operating activities</b>	(159,877)	(236,190)
<b>Net cash flows (used in)/from investing activities</b>	(410,653)	462,065
<b>Net cash flows from/(used in) financing activities</b>	480,761	(10,249)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(89,769)	215,626
Cash and cash equivalents at beginning of year	300,170	203,130
Effect of foreign exchange rate changes, net	(7,271)	47,110
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	203,130	465,866

Our net cash used in operation activities was RMB159.9 million and RMB236.2 million for 2021 and 2022, respectively. During the Track Record Period, we incurred negative cash flows from our operations, and substantially most of our operating cash outflows have resulted from our research and development costs.

During the Track Record Period, we derived our cash inflows from financing activities primarily from issue of convertible redeemable preferred shares. Our management closely monitors the use of cash and cash balances and has maintained a healthy liquidity for our operations. As our business develops and expands, we expect to generate more cash flow from our operating activities, through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, payment for property, plant and equipment, payment for intangible assets, and lease payments. We estimate that we will receive net proceeds of approximately HK\$412.9 million in the Global Offering, assuming no Over-allotment Option is exercised and at an Offer Price of HK\$22.70, being the mid-point of the indicative Offer Price range of HK\$20.65 to HK\$24.75 per Offer Share. Assuming an average cash burn rate going forward of 2.0 times the level in 2022, we estimate that our cash at bank and on hand as of December 31, 2023 will be



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able to maintain our financial viability for 39 months taking into account the estimated net proceeds from the Global Offering and for 17 months without taking into account the estimated net proceeds from the Global Offering. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

### Key Financial Ratios

The table below sets forth our key financial ratios as of the dates indicated:

	As of December 31,	
	2021	2022
Current ratio <sup>(1)</sup>	72.8	14.8
Quick ratio <sup>(2)</sup>	72.7	14.5

*Notes:*

- (1) Current ratio equals current assets divided by current liabilities as of the end of the year.
- (2) Quick ratio equals current assets less inventories and divided by current liabilities as of the end of the year.

Our current ratio decreased from 72.8 as of December 31, 2021 to 14.8 as of December 31, 2022, and our quick ratio decreased from 72.7 as of December 31, 2021 to 14.5 as of December 31, 2022, primarily due to a decrease in financial assets at FVTPL and an increase in trade and other payables, which in turn was primarily in relation to our expanded R&D activities.

### GLOBAL OFFERING STATISTICS

The Global Offering by us consists of:

- the offer by us of initially 2,128,400 Hong Kong Offer Shares, for subscription by the public in Hong Kong, referred to in this Prospectus as the Hong Kong Public Offering; and
- the offer by us of initially 19,153,400 International Offer Shares, outside the U.S. (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the U.S. to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act, referred to in this Prospectus as the International Offering.

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	<b>Based on the Offer Price of HK\$20.65</b>	<b>Based on the Offer Price of HK\$24.75</b>
Market capitalization of our Shares <sup>(1)</sup>	HK\$6,278 million	HK\$7,525 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(2)</sup>	HK\$6.15	HK\$6.42

*Notes:*

- \* All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
- (1) The calculation of market capitalization is based on 304,024,465 Shares expected to be in issue taking into account of the Share Subdivision and immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan).
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments (after taking into consideration of Share Subdivision) referred to in “Financial Information – Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets”.

### DIVIDEND

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. Our dividend policy will become effective upon Listing. Our dividend policy refers to any declaration and payment as well as the amount of dividends that will be subject to our Memorandum and Articles and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. In addition, our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Under the dividend policy, we intend to provide our Shareholders with interim or annual dividends as appropriate.

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and the Cayman Companies Act. The declaration and payment of dividends in the future will be determined by our Board of Directors, in its discretion, or the Shareholders in general meeting, and will depend on a number of factors, including our earnings, capital requirements, and overall financial condition. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman

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## SUMMARY

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Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business (i.e. the solvency test as provided in the Cayman Companies Act). As advised by Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands laws, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that we satisfy the solvency test set out in the Cayman Companies Act. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For more details, see "Risk Factors – Risks Relating to Doing Business in China" in this Prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$412.9 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no exercise of the Over-allotment Option and assuming an Offer Price of HK\$22.70 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$20.65 to HK\$24.75 per Offer Share in this Prospectus. We intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately HK\$185.8 million, representing 45.0% of the proceeds, will be used for our Core Product CU-20401;
- Approximately HK\$90.8 million, representing 22.0% of the proceeds, will be used to fund the continuing R&D activities of our Key Products, CU-40102 and CU-10201, including the planned clinical trials and the preparation of registration filings;
- Approximately HK\$74.3 million, representing 18.0% of the proceeds, will be used to fund the continuing R&D activities of the other candidates in our pipeline, including the planned clinical trials and the preparation of registration filings;
- Approximately HK\$41.3 million, representing 10.0% of the proceeds, for technology development and business development for pipeline expansion;

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- Approximately HK\$20.6 million, representing 5.0% of the proceeds, will be used for working capital and other general corporate purposes.

For further details, see “Future Plans and Use of Proceeds”.

### RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in the section headed “Risk Factors” in this Prospectus. Some of the major risks we face include:

- Our R&D, manufacturing and commercialization of CU-20401 may be adversely affected if the Joint Collaboration under the CU-20401 Agreement terminates.
- Negative results from off-label use of our future drug products could materially harm our business reputation, product brand name and financial condition and expose us to liability.
- We face substantial competition for the development of our Core Product and other products, as our competitors may discover, develop or commercialize competing products earlier or more successfully than we do.
- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete clinical development, obtain relevant regulatory approvals or achieve commercialization of our product candidates, or if we experience significant delays in any of the foregoing, our business, results of operations and financial condition may be adversely affected.
- Adverse events or undesirable side effects caused by our product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval or cause product liability claims, which could expose us to costs and liabilities and adversely affect our operations and reputation.
- We have entered into collaborations or licensing arrangements and may seek collaborations or enter into licensing arrangements in the future. We may not realize the benefits of such collaborations or licensing arrangements, and disputes may arise between us and our collaboration partners which could harm our business.

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## SUMMARY

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- We are largely dependent on the sales of our commercialized products. If we fail to achieve or further promote the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected.
- Claims that our product candidates or the sale, distribution or use of our future products infringes, misappropriates or otherwise violates the patent or other intellectual rights of third parties could result in costly litigation, the outcome of which would be uncertain, or could require substantial time and money to resolve, even if litigation is avoided.
- Our business operations may in the future be affected by health epidemics or outbreaks of contagious diseases.
- No public market currently exists for our Shares, and an active trading market for our Shares may not develop especially taking into account that certain of our existing shareholders may be subject to a lock-up period.

### LISTING EXPENSES

Listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering. Listing expenses for the Global Offering are estimated to be approximately HK\$73.2 million, including (i) underwriting-related expenses (including but not limited to commissions and fees) of approximately HK\$24.7 million and (ii) non-underwriting-related expenses of approximately HK\$48.5 million, comprising (a) fees and expenses of legal advisors and accountants of approximately HK\$36.3 million and (b) other fees and expenses of approximately HK\$12.2 million, at an Offer Price of HK\$22.70 per Share, being the mid-point of the indicative Offer Price range, which represents approximately 15.1% of the gross proceeds we expect to receive from this Global Offering assuming no Shares are issued pursuant to the Over-allotment Option. RMB23.5 million (HK\$26.2 million) was recognized and charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2022. After December 31, 2022, approximately HK\$25.6 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK\$21.4 million is expected to be charged against equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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## SUMMARY

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### RECENT DEVELOPMENTS

#### Impact of the COVID-19 Outbreak

The COVID-19 pandemic and its recurrence have caused temporary disruption to our solutions to the extent that necessary on-site meetings, deployment and technical support had to be delayed, which has had a negative impact on our results of operations during the Track Record Period. However, the outbreak of COVID-19 had not caused any early termination of our clinical trials. Given that the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse effect on our business going forward.

#### Recent Regulatory Developments

##### *Overseas Listing*

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Administrative Measures”) and five supporting guidelines, which has become effective on March 31, 2023. Pursuant to the Trial Administrative Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after its application for overseas listing is submitted.

On the same date, the CSRC promulgated the Notice on the Arrangement for the Filing-based Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the “Arrangement for Filing-based Administration”) which, among others, clarifies that (1) the domestic enterprises that have already been listed overseas before the effective date of the Trial Administrative Measures (i.e., March 31, 2023) shall be deemed as existing applicants (存量企業) (the “Existing Applicants”). Existing Applicants are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (2) a six-month transition period will be granted to domestic enterprises which, prior to the effective date of the Trial Administrative Measures, have already been approved by the overseas regulatory authorities or the overseas stock exchanges (for example, a contemplated offering and/or listing in Hong Kong has passed the hearing), and such domestic enterprises complete their overseas offering and listing within such six-month period (i.e., before September 30, 2023), they will be deemed as Existing Applicants. Within such six-month transition period, however, if such domestic enterprises need to re-perform the overseas regulatory procedures for overseas securities offering and listing, or fail to complete their indirect overseas offering and listing, such domestic enterprises shall complete the filing

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## SUMMARY

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procedures with the CSRC; (3) for applicants who have received approval from the CSRC for a direct overseas listing, they may continue to pursue the overseas listing during the validity period of the approval. Those who have not completed the overseas offering and listing upon the expiry of the approval period should file with the CSRC as required.

We have passed the hearing before March 31, 2023 and if our Global Offering can be completed before September 30, 2023, as advised by our PRC Legal Advisor, we will not be required to file with the CSRC with respect to this Global Offering.

### **Expected Increase in Net Loss**

We expect to incur a significant increase in net loss for 2023 due to (i) the anticipated costs associated with increased research and development activities, (ii) fair value loss of financial liabilities at fair value through profit or loss, (iii) the anticipated increase in staff costs for administrative activities, and sales and marketing activities as we expand our business operations in 2023, and (iv) expenses in connection with the Listing incurred in 2023.

### **No Material Adverse Change**

Our Directors confirm that up to the date of this Prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2022, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Prospectus.

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## DEFINITIONS

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

“6 Dimensions Affiliates”	6 Dimensions Affiliates Fund, L.P., a limited partnership incorporated in the Cayman Islands on October 25, 2017 and one of our Controlling Shareholders
“6 Dimensions Entities”	6 Dimensions LP, 6 Dimensions Affiliates, Suzhou Frontline II and Suzhou 6 Dimensions, the Controlling Shareholders of our Company
“6 Dimensions LP”	6 Dimensions Capital, L.P., a limited partnership incorporated in the Cayman Islands on August 16, 2017 and one of our Controlling Shareholders
“Accountants’ Report”	the accountants’ report prepared by Ernst & Young, details of which are set out in Appendix I to this Prospectus
“affiliate(s)”	With respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council (會計及財務匯報局)
“Articles of Association” or “Articles”	articles of association of our Company adopted on May 30, 2023, as amended from time to time, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Companies Act” in Appendix III to this Prospectus
“Asia”	include, for the purpose of this Prospectus, Afghanistan, Armenia, Azerbaijan, Bahrain, Bangladesh, Bhutan, Brunei, Cambodia, Greater China, Georgia, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Lebanon, Malaysia, Maldives, Mongolia, Myanmar (Burma), Nepal, North Korea, Oman, Pakistan, Philippines, Qatar, State of Palestine, Saudi Arabia, Singapore, South Korea, Sri Lanka, Syria, Tajikistan, Thailand, Timor-Leste (East Timor), Turkey, Turkmenistan, United Arab Emirates, Uzbekistan, Vietnam, and Yemen



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## DEFINITIONS

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“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Aurora Cutis”	Aurora Cutis Medical Technology (Shanghai) Co., Ltd. (晨笛醫藥科技(上海)有限公司), a limited liability company established in the PRC on November 11, 2020 and a wholly-owned subsidiary of our Company
“Board”, “Board of Directors” or “our Board”	the board of Directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Capital Market Intermediaries” or “capital market intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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## DEFINITIONS

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“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDE”	Center for Drug Evaluation of the NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA to review applications for clinical trials and drug marketing authorization
“CEO”	chief executive officer of our Company
“CFO”	chief financial officer of our Company

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## DEFINITIONS

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“China”, “Mainland China” or “PRC”	the People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, excluding Taiwan, the Macao Special Administrative Region and Hong Kong
“Chongqing Lehao”	Chongqing Lehao Pharmaceutical Co., Ltd. (重慶樂豪醫藥有限公司), a limited liability company established in the PRC on August 24, 2022 and wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Act” or “Cayman Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Cutia Therapeutics (科笛集团), an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 15, 2019
“Compliance Advisor”	Somerley Capital Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to 6 Dimensions Entities, as further detailed in the section headed “Relationship with our Controlling Shareholders”
“Core Product”	CU-20401, the designated “core product” as defined under Chapter 18A of the Listing Rules

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## DEFINITIONS

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“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Cutia HK”	Cutia Therapeutics (HK) Limited, a limited company incorporated in Hong Kong on May 30, 2019 and wholly-owned subsidiary of our Company
“Cutia Shanghai”	Cutia Therapeutics (Shanghai) Co., Ltd. (科笛生物醫藥(上海)有限公司), a limited liability company established in the PRC on July 3, 2019 and wholly-owned subsidiary of our Company
“Cutia Wuxi”	Cutia Therapeutics (Wuxi) Co., Ltd. (科笛生物醫藥(無錫)有限公司), a limited liability company established in the PRC on December 4, 2020 and wholly-owned subsidiary of our Company
“Director(s)”	the directors of our Company, including all executive, non-executive and independent non-executive Directors
“EIT”	the PRC enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FDA”	the Food and Drug Administration of the U.S.
“Fidelity”	Fidelity China Special Situations PLC, Fidelity Funds and Fidelity Investment Funds
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Prospectus
“Global Offering”	the Hong Kong Public Offering and the International Offering

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## DEFINITIONS

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“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by the Company
“Greater China”	the People’s Republic of China, together with the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan Province
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries
“HK\$” or “Hong Kong Dollars” or “HK Dollars” and “HK cents”	Hong Kong dollars, the lawful currency of Hong Kong
“ <b>HK eIPO White Form</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified in the <b>IPO App</b> or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	2,128,400 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering”

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## DEFINITIONS

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“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“Hong Kong Takeovers Code” or “Takeover Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 30, 2023, relating to the Hong Kong Public Offering entered into by, among other parties, our Company, our Controlling Shareholders, the Overall Coordinators and the Hong Kong Underwriters
“Independent Third Party(ies)”	any entity or person, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
“International Offer Shares”	19,153,400 Shares being offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering”

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## DEFINITIONS

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“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering”
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, our Controlling Shareholders, the Overall Coordinators, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting – Underwriting Arrangements – International Offering”
“ <b>IPO App</b> ”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“Joint Bookrunners”	the joint bookrunners of the Listing as named in “Directors and Parties Involved in the Global Offering”
“Joint Global Coordinators”	the joint global coordinators of the Listing as named in “Directors and Parties Involved in the Global Offering”
“Joint Lead Managers”	the joint lead managers of the Listing as named in “Directors and Parties Involved in the Global Offering”
“Key Product”	the key drug candidates in our pipeline, comprising CU-40102 and CU-10201
“Latest Practicable Date”	May 22, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication

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## DEFINITIONS

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“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Monday, June 12, 2023, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“MCN(s)”	multi-channel networks, which refer to the agencies that represent content creators, such as KOLs, and assist them in areas such as audience development, content programming, content creator collaborations, digital rights management, monetization and sales
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on May 30, 2023, with effect from the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this Prospectus
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“NHC”	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)



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## DEFINITIONS

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“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure of the Global Offering – Pricing and allocation”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters, to require our Company to allot and issue additional Shares to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering – The International Offering – Over-allotment Option”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Post-IPO Equity Incentive Plan”	the equity incentive plan adopted by the Company on May 30, 2023, the principal terms of which are set out in the section headed “Statutory and General Information – Equity Incentive Plans – Post-IPO Equity Incentive Plan” in Appendix IV

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## DEFINITIONS

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“PRC Legal Advisor”	Zhong Lun Law Firm, our legal advisor on PRC laws in connection with the Global Offering
“Pre-IPO Equity Incentive Plan”	the equity incentive plan adopted by the Company and took effect on August 23, 2019, the principal terms of which are set out in the section headed “Statutory and General Information – Equity Incentive Plans – Pre-IPO Equity Incentive Plan” in Appendix IV
“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in “History, Development, and Corporate Structure”
“Pre-IPO Investor(s)”	the Series A-1 Investors, Series A-2 Investors, the Series B Investors and the Series C Investors
“Preferred Shares”	preferred shares(s) in the share capital of the Company, including the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares
“Price Determination Agreement”	the agreement to be entered into between our Company and the Overall Coordinators (on behalf of the Underwriters) on the Price Determination Date to record the Offer Price
“Price Determination Date”	the date, expected to be on or about Monday, June 5, 2023 on which the Offer Price is determined, or such later time as the Overall Coordinators (on behalf of the Underwriters) and our Company may agree, but in any event no later than Tuesday, June 6, 2023
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC

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## DEFINITIONS

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“RSU”	restricted stock unit
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SEA”	South-East Asia consists of Vietnam, Laos, Cambodia, Thailand, Myanmar, Malaysia, Singapore, Indonesia, Brunei, Philippines, Timor-Leste
“Series A-1 Investors”	the holders of the Series A-1 Preferred Shares
“Series A-1 Preferred Shares”	the series A-1 preferred shares of the Company with a par value of US\$0.0001 per Share
“Series A-2 Investors”	the holders of the Series A-2 Preferred Shares
“Series A-2 Preferred Shares”	the series A-2 preferred shares of the Company with a par value of US\$0.0001 per Share
“Series B Investors”	the holders of the Series B Preferred Shares
“Series B Preferred Shares”	the series B preferred shares of the Company with a par value of US\$0.0001 per Share
“Series C Investors”	the holders of the Series C Preferred Shares
“Series C Preferred Shares”	the series C preferred shares of the Company with a par value of US\$0.0001 per Share
“SFC”	the Securities and Futures Commission of Hong Kong

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## DEFINITIONS

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“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company of US\$0.0001 each prior to the Share Subdivision and US\$0.00002 each upon the completion of the Share Subdivision
“Share Subdivision”	the subdivision of each Shares in the Company’s issued and unissued share capital with par value of US\$0.0001 each into 5 Shares of the corresponding class with par value of US\$0.00002 each, details of which are set out in section headed “History, Development and Corporate Structure”
“Shareholder(s)”	holder(s) of our Share(s)
“Sole Sponsor”	the sole sponsor of the Listing as named in “Directors and Parties Involved in the Global Offering”
“Sophisticated Investor(s)”	has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Suzhou 6 Dimensions”	Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 4, 2017 and one of our Controlling Shareholders
“Suzhou Frontline II”	Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 8, 2016 and one of our Controlling Shareholders

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## DEFINITIONS

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“Track Record Period”	the period comprising the financial years ended December 31, 2021 and 2022
“U.S. Government”	the federal government of the United States, including its executive, legislative and judicial branches
“U.S. Securities Act”	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “USA” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$” or “U.S. dollars”	the lawful currency of the U.S
“VAT”	value-added tax
“%”	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain technical terms used in this document in connection with our Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

“AEs”	adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
“ANDA”	abbreviated new drug application
“AhR”	aryl hydrocarbon receptor, a transcription factor that is encoded by the AHR gene in humans and regulates gene expression
“androgen”	a steroid hormone that promotes male secondary sex characters
“androgenetic alopecia”	a common form of hair loss in both men and women
“antibody”	also known as an immunoglobulin (Ig), a protein used by the immune system to recognize and bind an antigen
“API”	active pharmaceutical ingredients, any substance or mixture of substances intended to be used in the manufacture of a drug (medicinal) product in order to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or function of the body
“apoptosis”	a form of programmed cell death in which a programmed sequence of events leads to the elimination of cells
“AR”	androgen receptor
“ARNT”	aryl hydrocarbon receptor nuclear translocator, a protein that forms a complex with ligand-bound AhR and regulates gene expression
“AUC”	area under curve, a parameter of systemic exposure
“AZA”	azathioprine

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## GLOSSARY OF TECHNICAL TERMS

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“BE”	bioequivalence, the absence of a significant difference in the rate and extent of drug available at the site of action after dosing of a test generic product, compared to a reference original product
“CAGR”	compound annual growth rate
“CDMO”	contract development and manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
“cGMP”	current good manufacturing practice; the provisions of GMP for drugs were enacted in accordance with the Drug Administration Law of the PRC and the Regulations for Implementation of the Drug Administration Law of the PRC to regulate the manufacturing and quality management of drugs; the purpose is to ensure that the drug products are consistently manufactured in accordance with the registration requirements and are suitable for their intended use
“clinical trial/study”	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
“C <sub>max</sub> ”	the maximum or peak serum concentration of a drug after administration
“CMC”	chemistry, manufacturing, and controls
“CMO”	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services for drug manufacturing
“cohort”	a group of patients as part of a clinical trial who share a common characteristic or experience within a defined period and who are monitored over time
“combination therapy”	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease

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## GLOSSARY OF TECHNICAL TERMS

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“cosmeceutical”	a portmanteau of “cosmetics” and “pharmaceuticals”, referring to a cosmetic product with bioactive ingredients purported to have or drug-like or medical benefits
“CR-SMFRS”	clinician-reported submental fat rating scale, a rating scale system reported by clinicians to evaluate the degree of submental fat level accumulation; it is a five-point rating scale that ranges from zero (absent) to four (extreme)
“CRO”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
“CsA”	cyclosporine A
“dermatology”	the branch of medicine that deals with the diagnosis and treatment of skin related disorders
“dermis”	the layer of the skin between the epidermis and subcutaneous tissue
“DHT”	dihydrotestosterone, a male sex hormone which is the active form of testosterone, formed from testosterone in bodily tissue
“DLQI”	dermatology life quality index, a questionnaire with 10 questions used to measure the impact of skin disease on the quality of life of an affected person, including symptoms and feelings, daily activities, leisure, work and school, personal relationships, and treatment
“DMPK”	drug metabolism and pharmacokinetics, studies to determine the pharmacological characteristics of a drug candidate by focusing on its drug metabolism, including absorption, distribution and excretion, and pharmacokinetic properties
“EC”	ethics committee, a body responsible for ensuring that clinical trial research is carried out in an ethical manner in accordance with national and international laws



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## GLOSSARY OF TECHNICAL TERMS

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“ECM”	extracellular matrix, a three-dimensional network consisting of extracellular macromolecules and minerals, such as collagen, enzymes, glycoproteins and hydroxyapatite that provide structural and biochemical support to surrounding cells
“EGFR”	epidermal growth factor receptor, a transmembrane protein that is activated by binding of its specific ligands
“epidermis”	the outermost layer of the skin
“ <i>ex vivo</i> ”	Latin for “out of the living”, referring to studies in which the effects of various biological or chemical substances are tested in or on tissue from an organism in an external environment with minimal alteration of natural conditions
“5 $\alpha$ -R2”	5 alpha-reductase, also known as 3-oxo-5 $\alpha$ -steroid 4-dehydrogenases, referring to an enzyme involved in steroid metabolism
“FLG”	filaggrin, a protein essential for the correct formation and function of the skin barrier
“GCP”	good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
“GMP”	good manufacturing practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products
“Grade – in relation to AE”	term used to refer to the severity of adverse events according to Common Terminology Criteria for Adverse Events (CTCAE) v4.03, using Grade 1, Grade 2, Grade 3, etc.
“hirsutism”	a condition in women that results in excessive growth of dark or coarse hair in a male-like pattern in face, chest and back
“hypertrichosis”	a condition with excessive hair growth anywhere on the body in either males or females

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## GLOSSARY OF TECHNICAL TERMS

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“immunogenicity”	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal
“immunosuppressant”	drugs or medicines that depress or prevent activity of the immune system
“indication”	a valid reason to use a specific test, drug, device, procedure or surgery
“ <i>in vitro</i> ”	Latin for “within the glass”, referring to studies that are performed with microorganisms, cells, or biological molecules outside their normal biological context
“ <i>in vivo</i> ”	Latin for “within the living”, referring to studies in which the effects of various biological entities are tested on whole, living organisms or cells, usually animals, including humans, and plants, as opposed to a tissue extract or dead organism
“IND”	investigational new drug, an application in the drug review process required by a regulatory authority to decide whether a new drug is permitted to initiate clinical trials; also known as clinical trial application, or CTA, in China
“INF- $\gamma$ ”	interferon gamma, a type II interferon that is a cytokine critical for innate and adaptive immunity against viral, some bacterial infections and protozoal infections (infections caused by parasites)
“IV”	intravenous, a route of a medication or another substance into a vein and directly into the bloodstream
“JAK”	Janus kinase, a family of intracellular, non-receptor tyrosine kinases that transduce cytokine-mediated signals via the JAK-STAT pathway
“LOR”	loricrin, a major protein component of the cornified cell envelope found in terminally differentiated epidermal cells
“mechanism of action”	the specific biochemical interaction through which a drug substance produces its pharmacological effect

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## GLOSSARY OF TECHNICAL TERMS

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“MIC <sub>90</sub> ”	maximum inhibitory concentration of an antibiotic, at which 90% of strains are inhibited
“MMF”	mycophenolate mofetil
“monoclonal antibody”	an antibody generated by identical immune cells that are all clones of the same parent cell
“monotherapy”	a therapy that uses a single drug to treat a disease or condition
“MRCT”	multi-regional clinical trial, a clinical trial that is conducted in different regions under a common trial design for simultaneous global new drug development
“MTX”	methotrexate
“NDA”	new drug application, a process required by an regulatory authority to approve a new drug for sale and marketing
“ODM”	original design manufacturer, a company that designs and manufactures products or parts of a product as specified that are rebranded and sold by another company
“OEM”	original equipment manufacturer, a company that manufactures products or parts of a product as specified that are rebranded and sold by another company
“OTC”	over-the-counter, a kind of drug that may be sold over the counter upon receiving the competent authority’s approval at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
“OX40”	a member of the TNFR superfamily expressed on activated T cells that gives costimulatory signals to promote T cell division and survival
“OX40L”	a ligand for OX40, belonging to a member of the TNF superfamily
“PASI”	psoriasis area severity index, a tool combining assessment of the severity of lesions and the area affected into a single score in the range zero (no disease) to 72 (maximal disease) for measurement of severity of psoriasis

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## GLOSSARY OF TECHNICAL TERMS

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“PCT”	the Patent Cooperation Treaty, a treaty and also a procedure to seek protection for an invention in a large number of countries by filing one international patent application under the PCT
“PDE4”	phosphodiesterase 4, an intracellular non-receptor enzyme that modulates inflammation and epithelial integrity
“PGE2”	prostaglandin E2, a naturally occurring prostaglandin with oxytocic properties
“RP2D”	recommended Phase II dose, a dose level chosen by the sponsor for Phase II clinical trials, based on safety, tolerability, efficacy, pharmacokinetic and pharmacodynamic data collected during Phase I clinical trials
“Phase I clinical trial”	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its efficacy
“Phase II clinical trial”	a study in which a drug is administered to a limited patient population to preliminarily evaluate the efficacy of the product for specific targeted diseases, to identify possible adverse effects and safety risks, and to determine optimal dosage
“Phase III clinical trial”	a study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
“phototherapy”	also known as light therapy or heliotherapy, a medical treatment in which natural or artificial light is used to improve a health condition
“PK”	pharmacokinetics, the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug

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## GLOSSARY OF TECHNICAL TERMS

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“placebo”	a medical treatment or preparation with no specific pharmacological activity
“PR-SMFRS”	patient-reported submental fat rating scale, a rating scale system reported by patients to evaluate the degree of submental fat level accumulation; it is a five-point rating scale that ranges from zero (absent) to four (very large amount)
“pre-clinical study”	a study testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
“prescription drug”	a drug which may only be prescribed by qualified medical practitioners
“primary endpoint”	a main or most important outcome at the end of a study to determine whether a new drug or treatment worked
“psoriasis”	a skin disease that causes red, itchy scaly patches, most commonly on the knees, elbows, trunk or scalp
“registrational clinical trial”	a clinical trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
“Rx”	the symbol for a medical prescription; it is derived from the Latin word <i>recipe</i> or “ <i>recipere</i> ” that means “to take”
“SC”	subcutaneous, referring to a route of drug administration under the skin
“SLRS”	submental skin relaxation scale, a scale system evaluated by physicians to reflect the degree of submental skin relaxation of the area observed; it is a four-point rating scale that ranges from one (no laxity) to four (very lax)
“SMF”	submental fat, the fat residing in the area under the chin, causing a facial condition known as “submental fullness,” commonly referred to as a double chin
“SMF score”	a score according to the subject self-rating scale (SSRS), reflecting the patient satisfaction with their face and chin appearance

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## GLOSSARY OF TECHNICAL TERMS

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“SMO”	site management organization, an organization that has adequate infrastructure and staff to meet the requirements of the clinical trial protocol and provides clinical trial related services to a CRO, a pharmaceutical company, a biotechnology company, or a clinical site
“SSRS”	subject self-rating scale, being a seven-point rating scale that ranges from zero (extremely dissatisfied) to six (extremely satisfied), including zero = extremely dissatisfied, one = dissatisfied, two = slightly dissatisfied, three = neither satisfied nor dissatisfied, four = slightly satisfied, five = satisfied, and six = extremely satisfied
“ $T_{1/2}$ ”	elimination half-life time
“TCS”	topical corticosteroids
“TCI”	topical calcineurin inhibitors
“TEAEs”	treatment-emergent adverse events
“ $T_{max}$ ”	the time to reach the maximum concentration of a drug
“TNF $\alpha$ ”	tumor necrosis factor alpha, a cell signaling protein (cytokine) that is involved in systemic inflammation and is one of the cytokines that make up the acute phase reaction
“TSLP”	thymic stromal lymphopoietin, a protein belonging to the cytokine family and playing a role in the maturation of T cell populations through activation of antigen presenting cells
“TYK”	tyrosine kinase, an enzyme that can transfer a phosphate group from ATP to tyrosine residues of a protein in a cell
“RXR”	retinoid X receptor, a type of nuclear receptor that regulates gene expression in cell proliferation and cell death, development, metabolism, and cell differentiation
“TR”	thyroid hormone receptor, a type of nuclear receptor that is activated by binding thyroid hormone and regulates gene expression

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## GLOSSARY OF TECHNICAL TERMS

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“TRPV1”	transient receptor potential cation channel subfamily V member 1, also known as capsaicin receptor and vanilloid receptor 1, a receptor that is an element of or mechanism used by the mammalian somatosensory system
“USP”	United States Pharmacopeia, a pharmacopeia for the United States published annually by the United States Pharmacopeial Convention
“VEGF”	vascular endothelial growth factor, a family of cytokines critical for the formation of blood vessels

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## FORWARD-LOOKING STATEMENTS

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*We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.*

This Prospectus contains certain forward-looking statements and information relating to our Company, our subsidiaries and consolidated affiliated entities that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- the timing and outcome of the applications for registration of our products with the NMPA and other regulators;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- the amount and nature of, and potential for, future development of our business.



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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

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## RISK FACTORS

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*An investment in our Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Particularly, we are a biopharmaceutical company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. Our operations and the broader dermatology treatment and care industry involve certain risks and uncertainties, some of which are beyond our control and may cause you to lose all your investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this Prospectus.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to product candidates; (ii) risks relating to our reliance on third parties; (iii) risks relating to manufacturing and commercialization of our product candidates; (iv) risks relating to extensive government regulation; (v) risks relating to our intellectual property rights; (vi) risks relating to our operations; (vii) risks relating to our financial position and need for additional capital; (viii) risks relating to doing business in China; and (ix) risks relating to the Global Offering.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also have a material adverse effect on our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

### **RISKS RELATING TO OUR PRODUCT CANDIDATES**

#### **Our R&D, manufacturing and commercialization of CU-20401 may be adversely affected if Joint Collaboration under the CU-20401 Agreement terminates.**

Our rights to develop and commercialize some of our product candidates are subject to the terms and conditions of the relevant agreements. For example, Rejuven may terminate the Joint Collaboration under the CU-20401 Agreement if there is a change in our management or ownership that materially affects or impedes our performance for the Joint Collaboration, if there is any insolvency event, or if we breach the agreement and fail to remedy such breach within 10 days of receipt of a written notice from Rejuven or a time agreed by both parties. We and Rejuven may experience insolvency events, disagreements and/or disputes over the terms of Joint Collaboration. Despite our best efforts, Rejuven might conclude that we have breached our obligation for the Joint Collaboration and failed to remedy such breach within the

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## RISK FACTORS

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stipulated period, and might therefore terminate the agreement. Upon termination, our Joint Collaboration will immediately terminate. In such scenario, we will lose Rejuven's assistance or support for our R&D, manufacturing and commercialization in Asia. Although we will use our best efforts to prevent any termination events, we cannot assure you that termination events will not occur. Although we will take proactive measures to mitigate impact after incidents occur, we cannot assure you that our business, financial condition and results of operations will not be affected. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

**Negative results from off-label drug use of our future drug products could materially harm our business reputation, product brand name and financial condition and expose us to liability.**

Products distributed or sold in the pharmaceutical market may be subject to off-label drug use. Off-label drug use is prescribing a product for an indication, dosage or in a dosage form that is not in accordance with regulatory approved usage and labeling. In particular, CU-20401 is being reviewed and will potentially be approved by the NMPA as a drug. CU-20401 is indicated for obesity, overweight, or other localized adipose accumulation associated metabolic diseases. After its launch, licensed physicians' potential prescriptions may be beyond CU-20401's labelled use. Even though the NMPA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label use, there remains the risk that our CU-20401, upon regulatory approval, is subject to off-label drug use and is prescribed in patient population, with dosage or dosage form that has not been approved by competent authorities. This occurrence may render our CU-20401, upon regulatory approval, less effective or entirely ineffective and may cause adverse drug reactions. Any of these occurrences can create negative publicity and significantly harm our business reputation, product brand name, commercial operations and financial condition, including our Company's share price upon Listing. These occurrences may also expose us to liability and cause, or lead to, a delay in the progress of our clinical trials and may also ultimately result in failure to obtain regulatory approval for our drug candidates. The illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our drug candidates, upon regulatory approval, and could have a negative impact on our reputation and business.

**Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete clinical development, obtain relevant regulatory approvals or achieve commercialization of our product candidates, or if we experience significant delays in any of the foregoing, our business, results of operations and financial condition may be adversely affected.**

Our business will depend on the successful completion of the development of our product candidates, obtaining necessary regulatory approvals, and manufacturing and commercializing our product candidates. We have invested a significant portion of our efforts and financial resources in the development of our existing product candidates, and we expect to continue to incur substantial and increasing expenditures for the development and commercialization of our product candidates.

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## RISK FACTORS

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The success of our product candidates will depend on several factors, including but not limited to:

- successful enrollment of patients in, and completion of, clinical trials, as well as completion of pre-clinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- obtaining sufficient supplies of any qualified products that are used in combination with competitor products or comparison products that may be necessary for use in clinical trials for evaluation of our product candidates;
- receipt of regulatory approvals;
- establishing sufficient commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by CROs or other third parties we may retain to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining, maintaining and enforcing patent, trademark, trade secret and other intellectual property protection and regulatory exclusivity for our product candidates;
- avoiding infringement, misappropriation or violation of the patents, trademarks, trade secrets or other intellectual property rights of third parties, and successfully defending against any claims by third parties that we have infringed, misappropriated or otherwise violated any intellectual property of any such third party;
- successfully launching commercial sales of our product candidates, if and when approved;
- obtaining and maintaining favorable reimbursement from third-party payers for products, if and when approved;
- competition with other product candidates; and
- continued acceptable safety profile of our product candidates following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in obtaining approval for and/or successfully commercializing our product candidates, which would materially and adversely affect our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

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## RISK FACTORS

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**We have entered into collaborations or licensing arrangements and may seek collaborations or enter into licensing arrangements in the future. We may not realize the benefits of such collaborations or licensing arrangements, and disputes may arise between us and our collaboration partners which could harm our business.**

We have collaborated or entered into licensing arrangements or may seek strategic alliances, joint ventures or other collaborations, including entering into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing shareholders or disrupt our management and business.

Our strategic collaboration with partners involves numerous risks. We may not achieve the revenue and cost synergies expected from the transaction. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated timeframe. Also, the synergies from our collaboration with partners may be offset by other costs incurred in the collaboration, increases in other expenses, operating losses or problems in the business unrelated to our collaboration. As a result, there can be no assurance that these synergies will be achieved.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to maintain or establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a product candidate, we may be required to relinquish some or all of the control over the future success of that product candidate to the third party. For any product candidates that we may seek to in-license from third parties, we may face significant competition from other companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

Disputes may arise between us and our collaboration partners. Such disputes may cause delay or termination of the research, development or commercialization of our product candidates, or may result in costly litigation or arbitration that diverts management attention and resources. Global markets are an important component of our growth strategy. If we fail to obtain licenses or enter into collaboration arrangements with third parties in other markets, or if our third-party collaborator is not successful, our revenue-generating growth potential will be adversely affected.

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## RISK FACTORS

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**Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials and non-head-to-head analysis may not be predictive for future trial results.**

Research programs to discover new product candidates and new formulations or pursue the development of our product candidates for additional indications require substantial technical, financial and human resources. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies, early clinical trials of our product candidates, and non-head-to-head analyses may not be predictive for the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive for the final results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen, other trial protocol elements and the rate of dropout among clinical trial participants. In particular, the comparison between CU-20401 with other therapy options is based on non-head-to-head analyses. Such therapy options have different mechanism of actions and clinical trial status and cross-clinical trial comparison not from a head-to-head study involves risks and may not be representative of all the relevant clinical trial data. Moreover, a number of factors could affect the relevant clinical results and could render cross-trial comparison results less meaningful, including the different patient enrollment standards adopted in different trials (e.g., disease severity and status, prior treatment history, age group), dose regimen, and the other aspects of clinical trial design. In the case of any trials we conduct, results may differ from earlier trials due to larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the dermatology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding positive results in earlier trials. Our future clinical trial results may thus not be favorable, which may materially and adversely affect our business, results of operations and prospects.

**If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.**

Before obtaining regulatory approval for the commercialization of our product candidates, we must conduct clinical trials to demonstrate the safety and efficacy of our product candidates in humans. We may experience numerous unexpected adverse events during, or as a result of, clinical trials that could delay or prevent our ability to obtain regulatory approvals or commercialize our product candidates, including but not limited to:

- regulators, institutional review boards or ethics committees not authorizing us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

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## RISK FACTORS

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- manufacturing issues relating to our third-party CDMOs or after we establish our own facilities, including problems with manufacturing, supply quality, compliance with good manufacturing practice, or GMP, or obtaining from third parties sufficient quantities of a product candidate for use in a clinical trial;
- clinical trials of our product candidates producing negative or inconclusive results, and additional clinical trials or abandoning product development programs being required;
- the number of patients required for clinical trials of our product candidates being larger than we anticipate, enrollment being insufficient or slower than we anticipate, or patients dropping out at a higher rate than we anticipate;
- our third-party contractors failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- suspension or termination of clinical trials of our product candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks; and
- the cost of clinical trials of our product candidates being greater than we anticipate; and the supply or quality of our product candidates, companion diagnostics or other materials necessary to conduct clinical trials of our product candidates being insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, or if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our product candidates; (ii) not obtain regulatory approval at all; (iii) obtain approval for indications that are not as broad as intended; (iv) have the products removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the product is distributed or used; or (vii) be unable to obtain reimbursement for the use of the products.

Significant clinical trial delays may also increase our development costs and could shorten any periods during which we have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do. This could impair our ability to commercialize our product candidates and may materially and adversely affect our business and results of operations.

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## RISK FACTORS

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**We are largely dependent on the sales of our commercialized products. If we fail to achieve or further promote the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected.**

As of the Latest Practicable Date, we had two commercialized products, CUP-MNDE and CUP-SFJH. Our two clinical-stage products CU-40102 and CU-10201 also had commenced pilot commercialization in Lecheng, Hainan. Our business success depends significantly on the level of acceptance and satisfaction of our products in China's broader dermatology treatment and care market. A number of factors could affect the market acceptance of our products, including but not limited to the following:

- our ability to penetrate China's broader dermatology treatment and care market;
- our ability to address the evolving needs and preferences of our customers and consumers in China's broader dermatology treatment and care market;
- timing of market introduction, brand recognition, sales channel and research and development progress of our products and competing products;
- safety and efficacy of our products and product candidates and the prevalence and severity of side effects, if any;
- pricing and cost effectiveness of our products;
- the number and quality of competing products that are specialized in certain areas and are highly similar or unable to be differentiated from our products;
- recognition and acceptance of our products from consumers;
- perceived advantages and publicity of our products over competing products or treatments and the availability and success of competing products or treatments; and
- effectiveness of our sales and marketing efforts and distribution network, as well as the general availability of our products to meet demand from consumers.

In addition, our Core Product is a medical product for patients with adipose accumulation, and as adipose accumulation is not a life-threatening disease and relevant treatments may be discretionary in nature, our business and financial performance generated from the Core Product could be more vulnerable to economic downturns and changes in macroeconomic environments.

If our products fail to achieve or maintain widespread market acceptance, particularly among medical institutions, practitioners, consumers and distributors, or if we fail to maintain good relationships with them, our future prospects may be affected. In addition, if new



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## RISK FACTORS

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products introduced by our competitors are perceived more favorably by our customers and consumers, or are more cost-effective, or otherwise render our products obsolete, the market demand for our products may decline, and our business, results of operations and financial condition may be materially and adversely affected.

**Interim and/or preliminary data derived from our pre-clinical and/or clinical trials that we announce or publish from time to time may change as more valid data becomes available and are subject to verification procedures that could result in material changes in the final results.**

From time to time, we may publish interim and/or preliminary data from our clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary data also remain subject to verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, interim and preliminary data should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data could significantly harm our business prospects and may cause the trading price of Shares to fluctuate significantly after the Global Offering.

**Adverse events or undesirable side effects caused by our product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, result in significant negative consequences following any regulatory approval or cause product liability claims, which could expose us to costs and liabilities and adversely affect our operations and reputation.**

Undesirable adverse events caused by our product candidates could potentially cause significant negative consequences, including but not limited to:

- regulatory authorities could interrupt, delay or halt pending clinical trials;
- we may suspend, delay or alter development or marketing of our product candidates;
- regulatory authorities may order us to cease further development of, or deny approval of, our product candidates for any or all targeted indications if results of our trials reveal a high and unacceptable severity or prevalence of certain adverse events;
- regulatory authorities may delay or deny approval of our product candidates;
- regulatory authorities may withdraw approvals or revoke licenses of an approved product candidate, or we may determine to do so even if not required;
- regulatory authorities may require additional warnings on the label of an approved product candidate or impose other limitations on an approved product candidate;

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- we may be required to develop a risk evaluation mitigation strategy for the product candidate, or, if one is already in place, to incorporate additional requirements under the risk evaluation mitigation strategy, or to develop a similar strategy as required by a comparable regulatory authority;
- we may be required to conduct post-market studies;
- we could be subject to litigation proceedings or product liability claims for harms or adverse events that caused to patients due to exposure or administration of our product candidates;
- the patient enrollment may be insufficient or slower than we anticipate or patients may drop out or fail to return for post-treatment follow-up at a higher rate than anticipated; and
- the costs of clinical trials of our product candidates may be substantially higher than anticipated.

The NMPA could order us to suspend or terminate our studies or to cease further development of or deny approval of our product candidates. Any side effects could affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims, which could prevent us from obtaining regulatory approvals or achieving or maintaining market acceptance of a particular product candidate, and could materially and adversely affect our business, results of operations and prospects.

**If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.**

The timely completion of clinical trials depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. For example, patient eligibility criteria defined in the protocols could be strict and it might increase the chances that we are not able to recruit and retain suitable patients for our clinical trials. Our clinical trials may compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

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**Our pre-clinical studies may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these product candidates on a timely basis or at all, which in turn would have an adverse effect on our business.**

Some of our product candidates are still in the pre-clinical development stage, and the risk of failure of pre-clinical studies is high. Before we can commence clinical trials for a product candidate, we must complete pre-clinical testing and studies to obtain regulatory clearance to initiate human clinical trials, including IND applications in China. We cannot be certain of the timely completion or outcome of our pre-clinical testing and studies and cannot predict (i) if the NMPA will accept our proposed clinical programs or (ii) if the outcome of our pre-clinical testing and studies will ultimately support the further development of our products. As a result, we cannot be sure that we will be able to submit IND applications or similar applications for our pre-clinical programs on the timelines that we expect, if at all, and we cannot be sure that the submission of IND applications will be approved by the NMPA, leading to the initiation of clinical trials.

**We may not be successful in developing, enhancing or adapting to new technologies and methodologies.**

We must keep pace with new technologies and methodologies to maintain our competitive position. In 2021 and 2022, we recorded research and development costs of RMB110.6 million and RMB180.8 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our clinical trials. We intend to continue to enhance our technical capabilities in drug discovery, development and manufacturing, which are capital-and-time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, and that those products will achieve market acceptance. Any failure to do so may make our techniques obsolete, which could materially and adversely affect our business and prospects.

**In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits that could cause us to incur substantial liabilities.**

We face an inherent risk of product liability as a result of the clinical trials and any existed or future commercialization of our product candidates inside and outside China. Liability claims may result in: decreased demand for our product candidates, injury to our reputation, withdrawal of clinical trial participants and inability to continue clinical trials, initiation of investigations by regulators, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or

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patients, product recalls, withdrawals, or labeling, marketing or promotional restrictions, loss of revenue, exhaustion of any available insurance and our capital resources, the inability to commercialize any approved product candidate, and a decline in the market price of our Shares.

**We face substantial competition for the development of our Core Product and other products, as our competitors may discover, develop or commercialize competing products earlier or more successfully than we do.**

China's broader dermatology treatment and care market is highly competitive. In particular, our Core Product CU-20401 is still in an early development stage compared to other product candidates under development in China and the market has different available anti-obesity drugs that can treat the underlying causes while the effectiveness of CU-20401 remains to be proven. CU-20401 may be a late entrant compared to other product candidates under development. Other than our Core Product and CU-40101 and CU-10101, our pipeline products are primarily generated by the reformulation of previous agents. According to Frost & Sullivan, the likelihood of obtaining NMPA's approvals for these pipeline products is high, based on safety and efficacy data from similar approved active formulations. However, the entry barrier for development of those pipeline products is low, and there may be intense competitions with existing branded and generic drugs. There are a number of large companies that currently market and sell, or are pursuing the development of the same or similar products as we do, namely, products for scalp diseases and care, skin diseases and care, localized adiposeaccumulation management medication and topical anesthesia. Some of these competitors may have better resources and expertise than us. Potential competitors also include academic institutions, government agencies, and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. Their success depends on their sharp market insights to find needs from consumers, ability to develop new products that address consumers' demands, and produce and commercialize such products. We anticipate that we will face intense and increasing competition as new products enter the market and advanced technologies become available.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are highly similar or unable to be differentiated from our products or even more effective, have fewer severe side effects, are more convenient, or are less expensive than any products that we may develop or commercialize. Our competitors also may obtain approval from the NMPA or other comparable regulatory authorities for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a stronger market position before we enter the market. As a result, consumers or patients may prefer purchasing or using products from our competitors. Our competitors may render our product candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our product candidates.

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**The broader dermatology treatment and care market may not grow as rapidly as anticipated, which would materially and adversely affect our business, results of operations and financial condition.**

China's broader dermatology treatment and care market, especially the localized adipose accumulation management medication market, have been developing rapidly. The market size of localized adipose accumulation management medication is estimated to grow because (i) a number of localized adipose accumulation medications are expected to be approved in China, (ii) the recognition and availability of localized adipose accumulation medications continue to improve due to their increased safety profiles and ease of treatment, (iii) China's obese population that can receive adipose accumulation management medication is estimated to continue to grow, (iv) patients receiving adipose accumulation management medication generally demonstrate a high re-purchase rate in order to maintain the desired results, (v) the education and promotion of physicians by each product manufacturer continues to increase the clinical penetration of the products, (vi) the clinical use of the products in hospitals will increase the credibility of the products and the number of users. For details, see "Industry Overview" section in this Prospectus. However, the future demand is difficult to anticipate since it depends on a number of factors, many of which are beyond our controls. A general slowdown in China's economy or an uncertain economic outlook would adversely affect consumer spending habits which may, among other things, result in an overall decrease in the consumers' willingness to spend on broader dermatology treatment and care products, or a reduction in spending on higher-priced broader dermatology treatment and care products, each of which would have a material adverse effect on our results of operations.

The prospects of China's broader dermatology treatment and care market are also uncertain, and the market may develop at a slower pace than we expect. If the demand for broader dermatology treatment and care products fails to increase as rapidly as we anticipate, our business and future prospects could be adversely affected. The market prospect depends on a number of factors, including, among others, the degree of acceptance, recognition and penetration of broader dermatology treatment and care among the population, the development and relative advantages of alternative solutions, and changes in the industry landscape, such as the advancement of new technologies and competing or substitute products. Moreover, if any market participants in the industry are involved in disputes or negative publicity that have an adverse impact on the industry, our business, results of operations and reputation could also be negatively affected.

**Failure to execute effective pricing strategy due to the government guidance or fiercer market competition could harm our ability to increase sales and erode our financial profits.**

Our pricing strategies may not be effective and competitive at all times to reflect the supply and demand of our products, which may affect our ability to capture market demand and generate revenue. Additionally, if the PRC government issues pricing guidance for our products, it may negatively affect the price at which we can sell our products and have a material adverse effect on our business and results of operations. We may also face downward

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pricing pressure if our products are included in the National Reimbursement Drug List (“NRDL”) (《國家醫保藥品目錄》) or other similar catalogues, even if the inclusion of such or other similar catalogues is expected to increase the sales volume of our products. As advised by our PRC Legal Advisor, our products could potentially be eligible for such inclusion since our products are mainly in the clinical development or pilot commercialization stages and both NRDL and NEDL utilize a dynamic adjustment mechanism. As of the Latest Practicable Date, as advised by our PRC Legal Advisor, the inclusion in the NRDL of localized adipose accumulation medication for the treatment of obesity disease are not mandatory. While none of our marketed products was subject to such pricing guidance or reimbursement list as of the Latest Practicable Date, we cannot assure you that we will not be subject to such or other pricing restrictions as a result of any potential tightening regulations. Our customers may gain more bargaining power depending on the availability of alternative products, demands of consumers and the preferences of medical practitioners, and they may demand a lower price from us, which reduces our profitability. In addition, if the profitability of our distributors is reduced due to competition, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

Furthermore, with the introduction of our new products or competing products, or with voluntary price lowering by our competitors, we may be forced to lower the prices for our products. If the prices of our products decline due to government pricing regulation, emergence of competing and substitute products or other factors, and if we are unable to mitigate the adverse effects of such price reduction without incurring substantial expenses to improve our products, our products, business, financial condition, results of operations and market acceptance of our products could be materially and adversely affected.

**We have limited control over the end-users that use our products, and depend in part on whether they will utilize and promote our products in a compliant, safe and effective manner.**

We sell our products to individual consumers through direct sales and distributors. Our products may be adopted or administered to consumers by third parties beyond our control. We cannot assure you that the broader dermatology treatment and care procedures using our products conducted by third parties would always be compliant with our operational standards and regulatory requirements. For instance, if our products are administered to the incorrect or inappropriate sites or depths by third-party medical practitioners, consumers might experience adverse results, side effects or bodily injury. As a result, even if our products are successfully commercialized, any improper adoption or administration of our products could potentially harm our reputation, expose us to disputes and litigations, and adversely affect our business and results of operations.

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### RISKS RELATING TO OUR RELIANCE ON THIRD PARTIES

**Our success depends on our ability to maintain and expand our third-party e-commerce platforms and sales network. Future changes in the e-commerce industry and consumer behavioral pattern may adversely affect our sales through online channels.**

We directly sell products, including CUP-MNDE and CUP-SFJH, to individual customers through Tmall e-commerce platform. We also sell another portion of CUP-MDNE through a distributor in Hong Kong, which sells our products to JD Health (京東健康) e-commerce platform. Because we have relied on third-party e-commerce platforms for online sales of our products, the future growth of our operations depends on our ability to continue attracting online customers and generating new purchases from various online channels, as well as our ability to retain visitors to our websites and e-commerce platforms. We believe that maintaining a strong online presence helps improve our brand visibility and awareness, especially in regions where we have yet to establish a physical presence. However, if such platforms fail to provide satisfactory customer experience or fail to retain existing users and attract new users, or if our cooperation with such third-party e-commerce and social media platforms terminates, deteriorates or becomes more costly, our business and results of operations may be materially and adversely affected.

We anticipate that our online marketing expenses will increase in the foreseeable future as we continue to grow our online sales channels and, as a result, our net profit margin may continue to decrease. Furthermore, we may fail to incentivize such platforms to drive traffic to our stores or promote our products, which may also materially and adversely affect our business and results of operations. We cannot guarantee that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially given their leading position and significant influence in China's e-commerce and social media industry. In addition, any negative publicities about such third-party platforms, and any public perception or claims that non-authentic, counterfeit or defective goods are sold on such platforms, proven or otherwise, may deter visits to the platforms and result in reduced customer traffics to our stores or a decline in sales of our products, which may negatively impact our business and results of operations.

In addition to our ability to maintain relationships across various online channels, the success of these channels also depends on a number of factors relating to the e-commerce industry and consumer behavioral patterns, including, without limitation:

- consumer traffic on e-commerce platforms and our ability to increase consumer traffic on our online stores and the e-commerce platforms we engage;
- our ability to respond to the changes in the online marketing and e-commerce industry in China;
- influence of online influencers on consumer preferences and our cooperation with such influencers;

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- the reliability of the e-commerce and social media platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

We cannot assure you that we can stay abreast of constantly changing consumer behavioral patterns and preferences and anticipate product trends that will appeal to existing and potential online customers. Accordingly, negative publicities about such third-party e-commerce and social media platforms, a decline in the popularity of online shopping in general or our failure to identify and respond to market trends and consumer requirements in the online channels could result in decreased number of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

**We depend on our distributors and sub-distributor to sell products and product candidates. Our limited control over the distributors and sub-distributor and our relationship may expose us to significant risks.**

Our sales of our product candidates depend on successful distribution arrangement with the distributors and sub-distributor. The performance of our distributors and sub-distributor, which includes, but is not limited to, their ability to sell our products, uphold our brand, expand their sales network, is crucial to the future growth of our business and may directly affect our sales volume and profitability. We cannot assure you that we will be able to build, maintain or strengthen our relationships with our key distribution partners and relationship between the distributor and sub-distributor in the future. Should any of the distributors reduce substantially their demands for our products or terminate the business relationship with us, we may not be able to secure replacements for the lost customers or purchase orders in a timely fashion or at all and may experience a decline in our sales performance. Any unexpected cessation of, or substantial reduction in, the volume of orders from any of our major customers may have a material and adverse impact on our business, financial condition and results of operations.

In addition, it is difficult to monitor their compliance with regulatory requirements and business practices. The sales of our pharmaceutical products are subject to the regulation of the two-invoice system. Although we are currently in compliance with the two-invoice system, as advised by our PRC Legal Advisor, there is no assurance that the sub-distributors will comply with the geographical restrictions we have agreed with our distributors, or comply with other distribution requirements under our distribution agreements and policies. Furthermore, we cannot assure you that we will be able to identify or correct all the sub-distributors' practices that are detrimental to our business in a timely manner or at all, which may adversely affect our results of operations and reputation. Moreover, if the two-invoice system is implemented in more regions, we may need to adjust our distribution model in relevant regions accordingly to engage single-tier distributors. By doing so, the overall product profit margin may be affected adversely. Non-compliance by any of our distributors or sub-distributor under applicable regulations may adversely affect the sales and distribution of our products. Further, as we rely on our distributors and sub-distributor to manage their sales practices, we have



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limited control over the ultimate sales by these distributors and sub-distributor. We cannot assure you that they will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of our distributors or sub-distributor fails to distribute our products to their customers in a timely manner, overstock, or carries out actions which are inconsistent with our business strategy, it may adversely affect our future sales. There may be instances when these distributors or sub-distributor take actions which are not consistent with our business strategies, such as failure to follow our pricing and marketing policies and participate in our marketing and promotional activities. Any occurrence of aforementioned non-compliance may in turn materially and adversely affect our business, financial condition, and results of operations and prospects.

We prevent the occurrence of channel stuffing, cannibalization and competition within our distribution network through various measures. For more details, see “Business – Our Sales, Distribution and Marketing – Our Distribution Network – Prevention of Cannibalization.” However, we cannot assure you that the measures would be effective in preventing channel stuffing, cannibalization and competition within our distribution network. The failure in avoiding such occurrences may adversely affect our business, financial condition and results of operations.

**We depend on our distributors for a large portion of our total revenue during the Track Record Period, over whom we have limited control, which exposes us to significant concentration risk.**

During the Track Record Period, a large portion of our products were sold to distributors. During the Track Record Period, our revenue from our distribution network was derived from the revenue generated from our top five largest customers. The total revenue generated from our top five largest customers amounted to RMB381,000 and RMB4.6 million in 2021 and 2022, respectively, accounting for 18.7% and 40.9% of our total revenue for the same periods, respectively. Additionally, our top two customers by revenue during the Track Record Period were distributors. Revenue from our top two customers in 2021 and 2022 accounted for 18.7% and 40.3% of our total revenue, respectively. The performance of our two largest distributors, as well as our other distributors, which includes, but is not limited to, their ability to sell our products, uphold our brands, and expand their sales network is crucial to the future growth of our business and may directly affect our sales volume and profitability. We expect our top two distributors and other distributors will, in aggregate, continue to account for a large portion of our sales for the foreseeable future. However, there is no assurance that we can maintain our relationship with major distributors in the future, which exposes us to significant risks.

If our distributors reduce their orders from us or terminate their business relationships with us, we may not be able to secure alternative distributors with similar sales performance on terms and conditions commercially acceptable to us in a timely manner, which consequently may materially and adversely affect our results of operations and financial conditions.

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**We are subject to credit risks of our customers. If we experience delays in collecting or if we are unable to collect payments from customers, our cash flows and operations could be adversely affected.**

We from time to time grant credit term to certain customers and may be exposed to credit risk. Although we have adopted a series of strict management measures, we may not be able to collect all trade and bills receivables due to a variety of factors that are outside of our control. If we experience delays in collecting or if we are unable to collect payments from customers, if the relationship between us and any of our customers or distributors is terminated or deteriorated, or if our customers and distributors experience financial difficulties, we may not have enough cash flows and it may adversely affect our operations.

**We rely on third parties to conduct a certain number of our pre-clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, or experience delay in doing any of the foregoing, and our business could be substantially harmed.**

We have relied upon and plan to continue to rely upon third-party CROs (including SMOs) to generate, monitor or manage data for our ongoing pre-clinical and clinical programs. We rely on these parties for execution of our pre-clinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We, our CROs for our clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA and other comparable regulatory authorities in Mainland China for all of our products in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our registrational clinical trials must be conducted with product produced under GMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs on commercially reasonable terms, or at all. In addition, our CROs are not our employees. Except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and non-clinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they or our clinical investigators obtain is compromised due to failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated

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and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding CROs involves additional cost and delays, which can materially influence our ability to meet our desired clinical development timelines. There can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse effect on our business, financial condition and prospects.

Our future revenues are dependent on our ability to work effectively with collaborators to develop our product candidates, including obtaining regulatory approval. Our arrangements with collaborators will be critical to successfully bringing products to market and commercializing them. We rely on collaborators in various respects, including to undertake research and development programs and conduct clinical trials. We do not control our collaborators. Therefore, we cannot ensure that these third parties will adequately and timely perform all of their obligations to us. If third parties fail to complete the remaining studies successfully, or at all, it could delay, adversely affect or prevent regulatory approval. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We cannot guarantee the satisfactory performance of any of our collaborators and if any of our collaborators breach or terminate their agreements with us, we may not be able to successfully commercialize the licensed product which could materially and adversely affect our business, financial condition, cash flows and results of operations.

### **RISKS RELATING TO MANUFACTURING AND COMMERCIALIZATION OF OUR PRODUCT CANDIDATES**

**Manufacturing dermatology products is a highly exacting and complex process, and our business could be materially and adversely affected if we encounter problems in manufacturing our future product candidates.**

Manufacturing of dermatology products is highly complex. Problems may arise during manufacturing for a variety of reasons. Products with quality issues may have to be discarded, resulting in product shortages or additional expenses. This could lead to, among other things, increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. We face additional manufacturing risks in relation to the CDMOs that we may engage from time to time.

Manufacturing methods and formulations are sometimes altered through the development of product candidates from clinical trials to approval, and further to commercialization, in an effort to optimize manufacturing processes and results. Such changes carry the risk that they

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will not achieve these intended objectives. Any of these changes could cause the product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay the commercialization of product candidates and require bridging studies or the repetition of one or more clinical trials, which may result in increases in clinical trial costs, delays in product approvals and jeopardize our ability to commence product sales and generate revenue.

We may also encounter problems with achieving adequate or clinical-grade products that meet the NMPA or other comparable regulatory agency standards or specifications, maintaining consistent and acceptable production costs. We may also experience shortages of qualified personnel, raw materials or key contractors, and experience unexpected damage to our facilities or equipment. In these cases, we may be required to delay or suspend our manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our products with the terms, quality and costs acceptable to us, or at all. Such an event could delay our clinical trials and/or the availability of our products for commercial sale. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production at our manufacturing facilities.

In addition, the quality of our products, including product candidates manufactured by us for research and development purposes and, in the future, products manufactured by us for commercial use, depends significantly on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the production processes used in our manufacturing facilities, the quality and reliability of equipment used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards. We are, however, working on improving our documentation procedures for quality control and quality assurance activities. Any significant failure or deterioration of our quality control and quality assurance protocol could render our products unsuitable for use, or not in compliance with the relevant requirements of the GMP and/or harm our market reputation and relationship with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

**Delays in commencing and completing construction of, and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.**

We are building manufacturing facilities in Jiangsu, China. These facilities may encounter unanticipated delays and expenses due to a number of factors, including regulatory requirements. If construction, regulatory evaluation and/or approval of our new facility is delayed, we may not be able to manufacture sufficient quantities of our product candidates, if

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approved, which would limit our development and commercialization activities and our opportunities for growth. Cost overruns associated with constructing or maintaining our facilities could require us to raise additional funds from other sources.

In addition to the similar manufacturing risks described in “– Risks Relating to Our Reliance on Third Parties,” our manufacturing facilities may be subject to ongoing, periodic inspection by the NMPA or other comparable regulatory agencies to ensure compliance with cGMP. Our failure to follow and document our adherence to such cGMP regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical or, in the future, commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our product candidates or the commercialization of our products, if approved.

Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of product candidates, operating restrictions and criminal prosecutions, any of which could materially and adversely our business.

To produce our candidates in the quantities that we believe will be required to meet anticipated market demand of our product candidates if approved, we will need to increase, or “scale up,” the production process by a significant factor over the initial level of production. If we are unable to do so, are delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to produce our candidates in a sufficient quantity to meet future demand.

In addition to the similar manufacturing risks described in “– Risks Relating to Our Reliance on Third Parties,” if our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any product candidates manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales if and when we are able to successfully commercialize one or more of our product candidates. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our product candidates in a timely manner could materially and adversely our business, financial condition and operating results.

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**We rely on sales and marketing team and third parties to promote our products. Failure to execute an effective sales and marketing strategy may make us unable to maintain sufficient marketing and sales capabilities, or to effectively build and manage our sales network, and we may not be able to generate product sales revenue as planned.**

We rely on sales and marketing team and third parties to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationships with existing and potential distributors and customers, which will depend to a significant extent on the successful execution of effective sales and marketing strategy. However, we cannot assure you that we will be able to attract, motivate and retain qualified and professional employees with requisite expertise and communicate with them effectively. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals.

In addition, our relationships with medical institutions, practitioners and distributors play an important role in our sales and marketing activities. We cannot assure you that we will be able to maintain or strengthen our relationships with these industry players, or that our efforts to maintain or strengthen such relationships will yield the successful promotion of our products. These industry players may leave the market, change their business or practice focus, cease to collaborate with us, or collaborate with our competitors for any reason. As a result, our marketing strategy may no longer be able to yield greater market penetration, broader customer coverage, or increased product sales commensurate with our efforts spent. In addition, these industry players may not continue to have a significant demand for our products. If we are unable to develop new products or generate returns from our relationships with these industry players as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

**Guidelines, recommendations and studies published by various organizations could disfavor our product candidates.**

Government agencies, professional societies, practice management groups, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or studies that affect our or our competitors' product candidates. Our products' categories, including oral and topical minocycline, topical minoxidil, oral finasteride and topical tapinarof are recommended in national and/or international guidelines. There is currently no national or international guideline that recommends recombinant mutant collagenase for the treatment of adipose accumulation. However, if any such guidelines, recommendations or studies that reflect negatively on our product candidates, either directly or relative to our competitive product candidates, could result in current or potential decreased use, sales of, and revenues from one or more of our product candidates. Furthermore, our success depends in part on our and our partners' ability to educate healthcare providers and patients about our product candidates, and these education efforts could be rendered ineffective by, among other things, third-parties' guidelines, recommendations or studies.

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## RISK FACTORS

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### RISKS RELATING TO EXTENSIVE GOVERNMENT REGULATION

**Our listing may be impeded and our business operations may be adversely affected by the Measures for Cybersecurity Review or the Regulation on the Administration of Cyber Data Security (Draft for Comments).**

On December 28, 2021, the Cyberspace Administration of China (“CAC”), jointly with the other 12 governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “MCR”), which becomes effective from February 15, 2022. Pursuant to Article 2 of the MCR, besides the procurement of network products and services by critical information infrastructure operators, any data processing activity by network platform operators that affects or may affect national security shall be subject to the cybersecurity review. In accordance with Article 7 of the MCR, network platform operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市).

On November 14, 2021, CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”). For more details relating to the Draft Cyber Data Security Regulations, see “Regulatory Overview – Other Significant PRC Regulations Affecting Our Business in the PRC – Regulations on Cybersecurity”. Given that the Draft Cyber Data Security Regulation had not come into force as of the Latest Practicable Date, the applicability of various requirements under the Draft Cyber Data Security Regulation is still subject to further official guidance and applicable implementation rules.

Our PRC Legal Advisor and the Sole Sponsor’s PRC Legal Advisor consulted the China Cybersecurity Review Technology and Certification Center (the “**Center**”) and notified the Center of our proposed listing via email. The Center is authorized by the Cybersecurity Review Office of the CAC to accept public consultation and cybersecurity review submissions and is the competent authority to provide views and interpretation relating to the MCR. According to the Center, (i) the listing in Hong Kong does not fall within the scope of “listing abroad”; (ii) critical information infrastructure operators are identified by the governmental authorities of corresponding industry; (iii) Draft Cyber Data Security Regulation had not come into force as of the Latest Practicable Date, the applicability of various requirements under the Draft Cyber Data Security Regulation is still subject to applicable implementation rules.

As of the Latest Practicable Date, (i) we have not been notified of the results of any determination that we have been identified as a critical information infrastructure operator or that any of our systems have been identified as critical information infrastructure by the relevant governmental authorities; (ii) the MCR provides no further explanation or interpretation for “online platform operator” and “list abroad”, and does not stipulate that an online platform operator which intends to list in Hong Kong will be subject to cybersecurity review; (iii) Hong Kong is not a foreign country or region and does not fall within the scope of “abroad” under the MCR, and there is no specific guidance or implementation rules to indicate otherwise; (iv) the MCR provides no further explanation or interpretation for “affect

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## RISK FACTORS

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or may affect national security”, which remains to be clarified and elaborated by the CAC, and we have not received any notification of cybersecurity review from relevant governmental authorities due to our impact or potential impact on national security; and (v) we believe that our collection and handling of the personal information do not constitute “data processing activities” or any other activities that may affect national security under the Draft Cyber Data Security Regulation.

Therefore, as advised by our PRC Legal Advisor, our Directors believe that as long as there is no material change to our current business and if no further rules are introduced and no significant changes to the enforcement of the MCR by governmental authorities, cybersecurity review under the article 2 and article 7 of the MCR shall not be applicable to us.

Furthermore, based on the fact that (i) the MCR came into effect recently and the Draft Cyber Data Security Regulation has not been formally adopted, and their implementation and interpretation are subject to uncertainties and (ii) we have not been involved in any investigations on cybersecurity review initiated by the CAC on such basis and nor have we received any inquiry, notice, warning, or sanctions in such respect, with the support of our PRC Legal Advisor, we are of the view that we comply with such regulations in all material aspects and we believe such regulations would not have a material adverse impact on our business operations or our Global Offering.

Considering that (a) we have not been involved in any cybersecurity review or investigation by the CAC or other authorities with respect to the MCR; (b) we have not been informed that we are recognized as a crucial information infrastructure operator by any relevant authority; (c) the data processed by us has not been included in the effective core data and important data catalogs by any authority; and (d) we have taken reasonable and adequate technical and management measures to ensure data security, we are of the view that the likelihood that our business operation or the Global Offering might give rise to national security risks is remote.

However, the MCR and the Draft Cyber Data Security Regulation were both released recently, certain provisions of which are still unclear and are subject to the finalization or clarifications by relevant authorities. As such, the PRC regulatory authorities may have broad discretion in the interpretation of “affect or may affect national security”. Moreover, given that the Draft Cyber Data Security Regulation was still in the draft form for comments and had not come into force as of the Latest Practicable Date, the applicability of various requirements thereunder is still subject to further official guidance and applicable implementation rules. If we were deemed as a data processor that “affects or may affect national security” by the PRC regulatory authorities under their broad discretion, we may be subject to cybersecurity review. If we fail to pass such cybersecurity review, our Listing may be impeded, our business operations may be adversely affected, and/or we may be subject to other severe penalties and/or action by the competent government authorities.



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On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires the data processor providing data overseas and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 people intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 people or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC. As advised by our PRC Legal Advisor, our business does not involve the aforesaid cross-border transfer of personal information and important data, the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》) is not applicable to us currently.

**Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.**

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods. These concerns and threats to impose new tariffs or sanction on China, have resulted in increased tensions in China's international relations. Moreover, the bilateral relationship is an ongoing matter, evolving sometimes from day to day, and we cannot predict how the relationship will further evolve or what impact any subsequent developments in the relationship may have on our business.

Furthermore, during the Track Record Period, we formed licensing agreements with entities in foreign countries and regions. There can be no assurance that such licensing partners in the future will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

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## RISK FACTORS

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**If we or our CROs or CDMOs fail to comply with environmental, health and safety laws and regulations, we could become subject to fines, penalties, damages or incur costs that could have a material adverse effect on the success of our business.**

We and our CROs or CDMOs are subject to environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in the process of our business operations. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in certain jurisdictions. We cannot assure you that we will be able to obtain all the regulatory approvals for our construction projects in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals for our construction projects may affect our abilities to develop, manufacture and commercialize our pipeline products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we or our CROs or CDMOs fail to comply with environmental protection, and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. As a result, any failure by us or our CROs or CDMOs to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, we and our CROs or CDMOs cannot fully eliminate the risk of accidental contamination, chemical hazards or personal injury at facilities during the process of research, testing, development and manufacturing of product candidates. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could materially and adversely affect our business. Other adverse effects could result from such liability, including reputational damage. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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### RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

**Our owned or in-licensed patents, patent applications and other intellectual property relating to our product candidates may be subject to priority disputes or similar proceedings. If we or our licensing partners are unsuccessful in any of these proceedings, or otherwise if we or our licensing partners breached licensing agreements, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the development, manufacture and commercialization of one or more of the product candidates we may develop, which could have a material adverse impact on our business.**

We or our licensing partners may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, patent applications, trade secrets or other intellectual property. If we or our licensing partners are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which our owned or the in-licensed intellectual properties are subject, or otherwise if we or our licensing partners breached licensing agreements, we may lose valuable intellectual property rights through the loss of one or more patents or patent applications or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensing partners are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership. If we or our licensing partners are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture and commercialization of one or more of our product candidates. The loss of exclusivity or the narrowing of our or our licensing partners' patent claims could limit our ability to stop others from using or commercializing similar or identical product candidates. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations or prospects. Even if we are successful in an interference proceeding or other priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

**Our current or any future patent applications may not be successful and any patent rights we or our licensing partners have may be challenged and invalidated even after issuance, which would materially adversely affect our ability to successfully commercialize any product or technology.**

Our pending and future owned and in-licensed patent applications may not result in the issuance of patents at all, and even if were granted patents, they may not be issued in a form, or with a scope of claims, that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us or otherwise provide us with any competitive advantage. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, its scope can be reinterpreted after issuance

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## RISK FACTORS

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and changes in either the patent laws or interpretation of the patent laws in China and other jurisdictions may diminish the value of our patent rights or narrow the scope of our patent protection. Any patents that we own or in-license may be challenged, narrowed, circumvented or invalidated by third parties. We cannot predict whether the patent applications we or our licensing partners are currently pursuing and may pursue in the future will successfully result in the issuance of any patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient protection from competitors or other third parties.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patent rights may be challenged in the courts or patent offices in China. Despite measures we or our licensing partners take to obtain patent protection with respect to our major product candidates and technologies, any of such issued patents could be challenged or invalidated. For example, if we or one of our licensors were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, lack of written description or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld material information from the relevant patent office, or made a misleading statement, during prosecution. Third parties may also raise similar patent invalidity claims before administrative bodies in China or in other jurisdictions, even outside the context of litigation. Such mechanisms include *ex parte* re-examination, inter parties review, post-grant review, interference proceedings, derivation, invalidation, revocation and equivalent proceedings in non-U.S. jurisdictions, such as opposition proceedings. The outcome following legal assertions of invalidity and unenforceability is unpredictable. Such proceedings could result in revocation of or amendment to our patents in such a way that they no longer adequately cover and protect our product candidates. Even if a third party does not prevail on a legal assertion of invalidity or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against such third party.

**We may face intense competition from manufacturers of generic or biosimilar drugs after the expiration of patent protection periods.**

Although various extensions may be available, the life of a patent and the protection it affords is limited. Even if we successfully obtain patent protection for an approved product candidate, it may face competition from generic or biosimilar drugs once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Our issued patents for our product candidates are expected to expire on various dates as described in “Business – Intellectual Property” of this Prospectus. Upon the expiration of these patents, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected. For example, the patent related to our Core Product CU-20401 will expire in 2038,

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and we may apply patent term extension for the patent or file new patent applications for other indications in China. Despite the long term of the CU-20401 Agreement with 20 years after the commercialization, upon the expiration of the relevant patent, we may face fierce competition from generic or biosimilar products for our Core Product CU-20401. Although we may apply for an extension of the patent term or file new patent applications, and we have other measures to protect our Core Product CU-20401, including our commercialization strategy and our trade secret, to compete with its potential competitors, there can be no assurance that our application and other measures will be successful. If we fail to extend the patent term or file new patent applications or our other measures prove to be unsuccessful, our results of operations may be adversely affected.

**If we are unable to protect the confidentiality of our trade secrets and other confidential information, including unpatented know-how upon which we rely, our business and competitive position would be harmed. We may be subject to claims that our employees, consultants or advisers have wrongfully used or disclosed alleged trade secrets of their former employers, and we may be subject to claims asserting ownership of what we regard as our own intellectual property.**

In addition to our issued patents and pending patent applications, we rely on trade secrets and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our product candidates. We seek to protect our trade secrets and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to trade secrets or confidential information, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisers and other third parties. However, we may not be able to prevent the unauthorized disclosure or use of our trade secrets and confidential information by the parties to these agreements. Monitoring unauthorized uses and disclosures is difficult and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Any of the parties with whom we enter into confidentiality agreements may breach or violate the terms of any such agreements and may disclose our proprietary information, and we may not be able to obtain adequate remedies for any such breach or violation. As a result, we could lose our trade secrets and third parties could use our trade secrets to compete with our product candidates and technology. Additionally, we cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary technology and processes. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts in China and other jurisdictions are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by competitors or other third parties, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

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## RISK FACTORS

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Furthermore, many of our employees, consultants, and advisers, including our senior management, may currently be, or were previously employed at other companies, including our competitors or potential competitors. Some of these employees, consultants, and advisers, including each member of our senior management, may have executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or be required to obtain licenses to such intellectual property rights, which may not be available on commercially reasonable terms or at all. An inability to incorporate such intellectual property rights would materially and adversely affect our business and may prevent us from successfully commercializing our product candidates.

Our current business performance and future success depend substantially on the abilities and contributions of our senior management members, including Ms. Zhang Lele, our executive Director and CEO, and chief medical officer Mr. Zhu Qi and other key personnel with industry expertise, know-how or experience in areas such as R&D, manufacturing, sales, marketing, financial management or risk management. Some key personnel from R&D team are the inventors devoted to our pending or obtained patents. In particular, Laboratoires Bailleul has the right to terminate the CUP-MNDE Agreement if Ms. Zhang Lele ceases to be our CEO under the terms of the CUP-MNDE Agreement. Loss of key personnel or their work and output may hamper and prevent our ability to develop our product candidates and technology, which could materially and adversely affect our ability to sustain and develop our business. We cannot assure you that our key personnel will not join a competitor or form a competing business or will follow the terms and conditions of their employment contracts.

Our success also depends on our ability to attract and retain qualified and skilled management, R&D, sales and marketing, manufacturing and other personnel. We have adopted a Pre-IPO Equity Incentive Plan on August 23, 2019 to promote the success of our Company and the interests of our Shareholders by providing a means to attract and retain our senior management team and core talents. As of the date of this Prospectus, options and share awards representing 13,961,829 Shares (to be adjusted to 69,809,145 Shares upon the completion of Share Subdivision) under the Pre-IPO Equity Incentive Plan have been granted. As a result, in 2021 and 2022, we incurred share-based compensation of RMB41.1 million and RMB100.0 million, respectively. We believe the granting of equity-settled share award is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant equity-settled share award to eligible participants under the Post-IPO Equity Incentive Plan in the future.

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However, as the wages and employee benefits in China continue to increase, we may not be able to pass on such costs to our customers. We also cannot assure you that we will not experience any shortage in labor. We cannot assure you that we will be able to attract, hire and retain sufficient personnel for our business. Nor can our Company guarantee that any shortages in qualified and skilled personnel will not increase our staff costs as the competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, which may in turn materially and adversely affect our results of operations and financial condition.

**If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.**

The registered or unregistered trademarks or trade names that we own or license may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. If third parties succeed in registering or developing common law rights in trademarks similar or identical to our trademarks, and if we are not successful in challenging such rights, we may not be able to use these trademarks to develop brand recognition of our products. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. As our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

**Claims that our product candidates or the sale, distribution or use of our future products infringes, misappropriates or otherwise violates the patent or other intellectual rights of third parties could result in costly litigation, the outcome of which would be uncertain, or could require substantial time and money to resolve, even if litigation is avoided.**

Our commercial success depends upon our ability to develop, manufacture, market and sell our product candidates without infringing, misappropriating or otherwise violating the intellectual property rights of others. The broader dermatology treatment and care industry is characterized by extensive litigation regarding patents and other intellectual property rights. We cannot guarantee that our product candidates or any sales, distributions or uses of our product candidates do not and will not in the future infringe or otherwise violate third-party patents or other intellectual property rights. It is also possible that we failed to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties that cover our product candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use.

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## RISK FACTORS

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Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or manufacture of the product candidates we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

Parties making infringement, misappropriation, or other intellectual property claims against us may obtain injunctive or other equitable relief, which could block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. In addition, even if we believe any third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of validity, enforceability, priority, or non-infringement. A court of competent jurisdiction could hold that such third party patents are valid, enforceable, and infringed, which could materially and adversely affect our ability to commercialize any of our products or technologies covered by the asserted third-party patents.

In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property, and it could require us to make substantial licensing and royalty payments. Ultimately, we could be prevented from commercializing future approved products, or be forced, by court order or otherwise, to cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement, including treble damages and attorneys' fees if we are found to willfully infringe a third party's patent.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated adverse impacts on our business.



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## RISK FACTORS

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### **Intellectual property rights do not necessarily address all potential threats.**

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents and trademarks of our trade name. The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- others may be able to make products that are similar to any product candidates we may develop or utilize similar technology that are not covered by the claims of the patents that we own or in-license now or in the future;
- we or any future collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or may in-license in the future;
- we or any future collaborators might not have been the first to file patent applications covering certain of our or their inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our intellectual property rights;
- it is possible that the pending patent applications we own or have in-licensed or those that we may own in the future will not lead to issued patents;
- patents that may be issued from the pending patent applications we own or have in-licensed may be held invalid or unenforceable, including as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale or distribution in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable;
- the patents of others may materially and adversely affect our business; and
- we may choose not to apply for a patent for certain trade secrets or know-how, and a third party may subsequently apply for a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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### RISKS RELATING TO OUR OPERATIONS

**Our business operations may in the future be affected by health epidemics or outbreaks of contagious diseases.**

The COVID-19 pandemic and its recurrence have caused temporary disruption to our solutions to the extent that necessary on-site meetings, deployment and technical support had to be delayed, which has had a negative impact on our results of operations during the Track Record Period. However, the outbreak of COVID-19 had not caused any early termination of our clinical trials. Given that the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material adverse effect on our business going forward.

However, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza or the Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters or outbreaks of epidemics and contagious diseases in China or globally, or the measures taken by the Chinese government or other countries in response to such contagious diseases, may cause failure to develop and commercialize our product candidates or sell and distribute our products as planned, and thus may materially and adversely affect their economy and our business.

**Our future success depends on our ability to retain key senior management members and to attract, train, retain and motivate qualified and highly skilled personnel, especially R&D and clinical related staff.**

We depend on principal members of our management and scientific teams. Our employment agreements with our executive officers do not prevent our executives from terminating their employment with us at any time. We do not maintain key-person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To incentivize valuable employees, especially R&D and clinical related staff that are key to our R&D efforts, to remain at our Group, in addition to salary and cash incentives, we have provided share incentives that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the market price of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice.

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## RISK FACTORS

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Recruiting and retaining qualified scientific, technical, clinical, manufacturing, sales, distribution and marketing personnel in the future will also be critical to our success. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees, experienced R&D staff or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, obtain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical companies for similar personnel. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists, physicians or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

**We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.**

As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, distribution, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems, and procedures.

Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

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## RISK FACTORS

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If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our product candidates and, accordingly, may not achieve our research, development and commercialization goals.

**Increased labor costs could result in exceeding expenses, slow our growth and adversely affect our results of operations.**

Since our operations are labor-intensive and our operations, to a certain extent, require the use of technical skills and know-how of our employees, our success depends in part on our ability to attract, retain and motivate a sufficient number of qualified employees. We have implemented a number of initiatives in an effort to attract, retain and motivate our qualified and competent staff. There is no assurance that these measures will be effective or that supply of skilled labor in local markets will be sufficient to fulfill our needs. Competition for competent and skilled labor is intensive in the industry. Our failure to hire and retain enough skilled employees could delay the anticipated pre-clinical studies or clinical trials timeframe or receipt of regulatory approvals to commercialize our product candidates, or result in our expenses exceeding our initial budget. Any of the foregoing changes could have a material adverse effect on our business, profitability and prospects.

Further, most of our workforce is employed in China where the average labor cost has been steadily increasing over the past years as a result of inflation, government-mandated wage increases and other changes in labor laws and local economics. In particular, further changes in the labor laws, rules and regulations may be promulgated by the PRC government in the future and our operations may be materially and adversely affected if such laws, rules or regulations impose additional burden on the employers. The labor cost will continue to increase in the future which is in line with the economic growth in China. Competition for employees would require us to pay higher wages, which would result in higher labor costs.

**We may be involved in lawsuits, claims, administrative proceedings or other legal proceedings against us, which could adversely affect our business, financial conditions, results of operations and reputation.**

We may be involved in lawsuits, claims, administrative proceedings or other legal proceedings arising in the ordinary course of business or pursuant to governmental or regulatory enforcement activity from time to time. Litigation and governmental proceedings can be expensive, lengthy and disruptive to normal business operations, and can require extensive management attention and resources, regardless of their merit. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake, and the parties involved.

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## RISK FACTORS

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Additionally, our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with third parties, they do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. While we intend to defend the aforementioned matters vigorously, we cannot predict the results of complex legal proceedings and an unfavorable resolution of a lawsuit or proceeding could materially adversely affect our business, results of operations, financial conditions and reputation.

**If we engage in acquisitions, joint ventures or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, may have a material adverse effect on our ability to manage our business and may not be successful.**

From time to time, to pursue our growth strategy, we may evaluate various acquisitions, joint ventures and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing product candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

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## RISK FACTORS

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We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending a significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, sales, distribution and other personnel, integrate the acquired technologies or services from both an engineering and a sales and marketing perspective, integrate and support preexisting distributor, supplier and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions. The geographic distance between companies, the complexity of the technologies and operations being integrated, and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses, and acquire intangible assets that could result in significant future amortization expense.

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Moreover, according to the Anti-Monopoly Law of PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the “Prior Notification Rules” issued by the State Council, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly enforcement agency of the State Council when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors, or the “Security Review Rules,” issued by the Ministry of Commerce, or the MOFCOM, specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns, and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval and filing processes, including obtaining approval or filings from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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## RISK FACTORS

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**Our internal information technology and other infrastructure, or those used by our CROs, CDMOs or other contractors or consultants, may fail or suffer security breaches.**

Despite the implementation of security measures, our information technology systems and those of our current or future CROs, CDMOs, consultants and other service providers are vulnerable to damage from cyberattacks, computer viruses, malicious codes, unauthorized access, employee theft or misuse, natural disasters, fire, power loss, terrorism, war, and telecommunication and electrical failures, among other things. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our research and development programs. For example, our data may not be backed up in a timely manner and the loss of clinical trial data from ongoing or future clinical trials for any of our product candidates could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property and proprietary business information. Disruptions in our on-site systems and by our outsourced vendors could have a material adverse impact on us and our business, including loss of data and damage to equipment, among other things.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification, system malfunction or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including but not limited to personal information of our employees and patients, and company, vendor and the other users of our vendors' confidential data.

If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be subject to regulatory actions or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations. As we engage in more electronic transactions with payers and patients, and collect and store an increasing volume of data, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

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## RISK FACTORS

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**We are subject to the risks of doing business globally, including risks relating to political and economic instability and changes in diplomatic and trade relationships, which may materially and adversely affect our business and results of operations.**

Because we operate in China and cooperate with partners operating in other jurisdictions, our business is subject to risks associated with doing business globally. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in laws and regulatory requirements in local jurisdictions;
- efforts to develop an international sale, distribution, marketing organization may increase our expenses, divert our management's attention from the acquisition or development of product candidates or cause us to forgo profitable licensing opportunities in these geographies;
- the occurrence of economic weakness, including inflation or political instability;
- the burden of complying with a variety of foreign laws including difficulties in effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in certain jurisdictions;
- enforcement of anti-corruption and anti-bribery laws;
- trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges;
- delays resulting from difficulty in obtaining export licenses, tariffs and other barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;
- the effects of applicable local tax regimes and potentially adverse tax consequences; and
- significant adverse changes in local currency exchange rates.

Furthermore, we are subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships, which could cause our results to fluctuate and our revenue to decline. The occurrence of any one or more of these risks of doing business internationally, individually or in the aggregate, could materially and adversely affect our business and results of operations.



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## RISK FACTORS

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**We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.**

We maintain insurance policies that are required under the PRC laws and regulations as well as based on our assessment of our operational needs and industry practice, including insurance for our new facilities. Our principal insurance policies cover employee benefits liability, adverse events in clinical trials, environmental liability and property loss. According to Frost & Sullivan, our insurance policy is in line with the industry practice, and as advised by our PRC Legal Advisor, our insurance coverage is in compliance with applicable rules and regulations in all material aspects. Our insurance coverage may be insufficient to cover any claims that we may have. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources and may negatively impact our product development and overall operations.

**We may be subject to risks relating to leased properties.**

As of the Latest Practicable Date, we leased eight properties with an aggregate area of approximately 28,954.2 sq.m. in Mainland China and Hong Kong. Upon expiration of the leases, we will need to negotiate for renewal of the leases and may have to pay increased rent. We cannot assure you that we will be able to renew our leases on terms which are favorable or otherwise acceptable to us, or at all. If we fail to renew any of our leases or if any of our leases are terminated or if we cannot continue to use any of our leased property, we may need to seek an alternative location and incur expenses related to such relocation, and our operation and businesses may also be disrupted or even suspended if we are not able to complete the relocation, including the reconstruction of relevant facilities in the new location, in a timely manner.

**We do not have full control over the quality of products, and we may be subject to product liability claims.**

Even though we are selective in choosing our suppliers, we cannot assure you that the raw material, pharmaceuticals and medical consumables we procure from our suppliers during the course of our business operations are safe, free of defects and meeting the relevant quality standards. We depend on our suppliers' quality control procedures. In the event of any quality issues, we could be subject to complaints and product liability claims by our customers. We may not be able to seek indemnification from our suppliers and if we engage in legal proceedings against our suppliers, such proceedings may be time consuming and costly regardless of the outcomes. Any quality issues on our products may have a material adverse effect on our reputation, brand image, financial performance and lead to negative publicity. Furthermore, we may also need to find alternative suppliers and suitable replacements, which may adversely affect our operations. If we are unable to find alternative suppliers or suitable replacements in a timely manner, our business operations may be disrupted.

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## RISK FACTORS

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**If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent or unethical conduct, we may be subject to liability and our reputation and business could be harmed.**

We are exposed to the risk that our employees, distributors, customers, suppliers, contracted manufacturers or other third parties that we have contracted may engage in illegal, fraudulent or unethical conduct with respect to our business. Misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations, including those requiring the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality and manufacturing standards, and other relevant laws and regulations in China. Such misconduct could also involve individually identifiable information, including the improper use of information obtained in the course of clinical trials or illegal misappropriation of drug products.

In particular, sales, distribution, marketing and other business arrangements in our industry are subject to extensive laws and regulations intended to prevent fraud, bribery, misconduct, kickbacks, self-dealing and other abusive practices. We could be liable for actions taken by our employees, distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries, over which we may not have full control. The government authorities may seize the products involved in any illegal or improper conduct by our employees and other third parties, and we may be subject to claims, fines or suspension of our operations. Our brand and reputation, our sales and distribution activities, or the price of our Shares could be adversely affected if we are associated with any negative publicity as a result of illegal, improper or unethical conduct, or allegations of such, by our employees and other third parties.

We may not be able to identify and deter any misconduct by such foregoing persons, and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could severely disrupt our business operations or delay our R&D programs, or result in failure to continue the marketing, sales and distribution of our products and obtain regulatory approval for our product candidates. Regulatory authorities may also impose civil, criminal and administrative penalties, damages and monetary fines on us, which could materially and adversely affect our reputation, business, results of operations and financial condition.

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## RISK FACTORS

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**Illegal and parallel imports and counterfeits of our products may reduce demand for our products and harm our reputation and business.**

The illegal importation of competing products from jurisdictions where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved product candidates and, in turn, may adversely affect our sales, distribution and profitability in China and other jurisdictions where we commercialize our products upon approval. Unapproved imports of prescription drugs are illegal under current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients to obtain these lower priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets (parallel imports) into higher-priced markets could harm sales and distribution of our future drug products and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to import lower priced versions of our future approved products, or competing products, from outside China or other jurisdictions where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other jurisdictions where we operate could have a material adverse effect on our business.

Certain products sold in the market may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit products. The counterfeit product control and enforcement system, particularly in emerging markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit products imitating our products. Since counterfeit products in many cases have very similar appearances compared with the authentic products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved product candidates. Our reputation and business could suffer harm as a result of counterfeit products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

**If we fail to effectively manage our inventory, our results of operations and financial condition may be adversely affected.**

We must maintain a reasonable level of inventory to effectively meet the market demand of our products, ensure timely delivery and manage our business growth. As such, we are required to maintain an appropriate level of inventory of our products, namely CUP-MNDE, CUP-SFJH, CU-40102, CU-10201 and Routine Skin Care Products. In 2021 and 2022, our inventory turnover days were 769 days and 1,161 days, respectively. We had inventories of RMB1.8 million as of December 31, 2021 and RMB20.0 million as of December 31, 2022. For more details, see "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Net Current Assets/Liabilities – Inventories." We have implemented an efficient supply chain management system to ensure the timely supply of our products. We determine our inventory level by holistically considering the

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## RISK FACTORS

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then-current inventory storage level, manufacturing plan, and market demand, and we also closely monitor outgoing inventory to ensure sufficient supply of our products. However, such internal forecasts are inherently uncertain, and the demand for our products may fluctuate. If our forecast is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales, distribution and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our finished products or raw materials, which may increase our inventory holding costs, risk of inventory obsolescence or write-offs. In addition, if the inventory information we collect is incomplete or inaccurate, we may fail to maintain a reasonable level of inventory, and our business, financial condition and results of operations may be adversely affected.

### **RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL**

**We have incurred significant net losses since our inception, and we expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. Investors are at risk of losing substantially all of their investments in our Shares.**

Investment in the development of dermatology products is highly speculative as it entails substantial upfront capital expenditures and significant risks that a product candidate may fail to demonstrate efficacy and/or safety to gain regulatory or marketing approvals or become commercially viable. While we have generated revenue from the sale of our scalp diseases and care products, skin diseases and care products and Routine Skin Care Products for daily care and post-treatment maintenance, we continue to incur significant research and development expenses and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred net losses in each period since our inception. For 2021 and 2022, our net losses were RMB319.6 million and RMB555.8 million, respectively. Substantially all of our net losses have resulted from costs incurred in connection with our research and development programs.

We expect to continue to incur net losses in the foreseeable future, and we expect that these net losses will increase as we carry out certain activities relating to our development. Typically, it takes many years to develop one new product from the time it is discovered to when it becomes available for treating patients. During the process, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend partially on the rate of the future growth of our expenses, our ability to generate revenues and the timing and amount of milestone payments and other payments that we receive from or pay to third parties. If any of our product candidates fails during clinical trials or does not gain regulatory approval, or, even if approved, fails to achieve market acceptance, our business may not become

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## RISK FACTORS

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profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods thereafter. Our prior losses and expected future losses have had, and will continue to have, an adverse effect on our working capital and shareholders' equity.

**The impairment of our prepayments, other receivables and other assets may affect our business operations.**

During the Track Record Period, our current prepayments, other receivables and other assets include rental deposits, deemed prepaid remuneration to employees, prepayments, other receivables, value-added tax recoverable and deferred issue costs. We conduct assessments on the recoverability of prepayments, other receivables and other assets based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate, as we are not in control of all the underlying factors affecting such prepayments, other receivables and other assets. Therefore, if we are not able to recover the prepayments, other receivables and other assets as scheduled, our financial position and results of operations may be adversely affected.

**We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.**

Our operations to date have focused on commercialization of our product candidates, conducting pre-clinical studies and clinical trials of our product candidates, establishing our intellectual property portfolio, organizing and staffing, business planning, and raising capital. Our limited operating history, particularly in light of the rapidly evolving broader dermatology treatment and care industry, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other business uncertainties. If we do not address these business uncertainties and difficulties successfully, our business will suffer. These risks may cause potential investors to lose substantially all or part of their investment.

**Our ability to generate revenue from future sales of our product candidates and become profitable depends significantly on our success in a number of factors, including the success of our product candidates.**

As of the Latest Practicable Date, we had two commercialized products and another two clinical-stage products have commenced pilot commercialization in Hainan. We had made sales of products RMB2.0 million and RMB11.4 million in 2021 and 2022, respectively. We expect that sales of the commercialized products will continue to comprise a substantial portion of our total revenue in the near future. Any reduction in sales or profit margins of the commercialized products will thus have a direct negative impact on our business, financial condition and results of operations in the future.

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## RISK FACTORS

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Our ability to generate revenue from future sales and achieve profitability depends significantly on our success in many factors, including:

- completing non-clinical and clinical research and development of our product candidates;
- obtaining regulatory approvals and marketing authorizations for product candidates for which we have completed clinical trials for;
- developing a sustainable and scalable manufacturing process for our product candidates, including establishing and maintaining commercially viable supply relationships with third parties and establishing our own manufacturing capabilities and infrastructure;
- controlling the cost of production of our product candidates;
- launching and commercializing product candidates for which we obtain regulatory approvals and marketing authorizations;
- obtaining market acceptance of our product candidates as viable treatment options to be paid as an out-of-pocket expense, and availability of adequate coverage, reimbursement, pricing by third-party payors and integrated delivery networks;
- addressing any competing technological and market developments;
- maintaining, protecting, expanding and enforcing our portfolio of intellectual property rights, including patents, trademarks, trade secrets, and know-how;
- identifying, assessing, acquiring and/or developing new product candidates, intellectual properties and technologies;
- negotiating favorable terms in any collaboration, licensing, or other arrangements into which we may enter;
- maintaining and managing a sales network that communicate effectively with the local medical institutions, practitioners and distributors and timely delivers our products to our current and potential markets; and
- attracting, hiring, and retaining qualified personnel.

Even if one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing any approved product candidate. Our expenses could increase beyond expectations if we are required by the NMPA or other relevant regulatory authorities to modify our manufacturing processes or assays, or to perform clinical, nonclinical, or other types of studies in addition to those we

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## RISK FACTORS

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currently anticipate. Even if we are successful in obtaining regulatory approvals to market one or more of our product candidates, our revenue will be dependent, in part, upon the size of the market and competitive landscape for the relevant product in China, the U.S. or other relevant jurisdictions, the accepted price for the product to be paid with out-of-pocket expenses and the ability to get reimbursement for any amount. If the number of patients with our addressable disease is not as significant as we estimate, the indication approved by regulatory authorities is narrower than we expect, or the reasonably accepted population for treatment is narrowed by competition, physician choice or treatment guidelines, we may not generate significant revenue from sales of such products, even if approved. If we are not able to generate revenue from the sale of any approved products, we may never become profitable.

**Our results of operations, financial condition, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at fair value through profit or loss and related valuation uncertainty.**

During the Track Record Period, we had certain financial assets at fair value through profit or loss. Our financial assets at FVTPL at the end of each reporting period mainly represented short-term investments issued by reputable banks with no predetermined or guaranteed return which are not principal protected investments. For the year ended December 31, 2021, we recorded fair value losses on financial assets at FVTPL of RMB5.2 million. For the year ended December 31, 2022, we recorded fair value gains on financial assets at FVTPL of RMB7.7 million. We are exposed to risks in relation to the financial assets, which may adversely affect our net changes in their fair value. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains or other expenses, and therefore directly affect our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

**We had net operating cash outflow during the Track Record Period and may continue to have net operating cash outflow going forward.**

We had net cash used in operating activities of RMB159.9 million and RMB236.2 million in 2021 and 2022, respectively. While we believe we have sufficient working capital to fund our current operations for the next 12 months, we expect that we may continue to experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations such the milestone payments under our licensing agreements, be unable to meet our capital expenditure requirements, be forced to scale back our operations, and/or experience other negative impacts on our operations, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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**We may be exposed to the risk of impairment losses on loans to related parties.**

During the Track Record Period, we provided loans to related parties, who are key management personnel of our Company, namely Ms. Zhang Lele, Dr. Lei Lei, Mr. Zhu Qi, Ms. Zhang Chunna, Ms. Xu Jingxin and Mr. Wu Jiaru. As of December 31, 2021 and 2022, the loans to related parties were RMB10.2 million and RMB25.3 million, respectively. We provided these loans as part of our efforts to retain and motivate employees and such loans are available to all eligible employees who are participants of the Pre-IPO Equity Incentive Plan. The participants are required to repay such loans in full before he or she leaves our Company or right after the exercise of the relevant awards under the Pre-IPO Equity Incentive Plan. Therefore, we did not provide impairment loss on loans to related parties during the Track Record Period.

However, we may be exposed to the risk of impairment losses on loans to related parties in the future. We will determine impairment loss based on our assessment of various factors affecting the quality of our loan to related parties. These factors include our borrowers' financial condition, repayment ability, intention to repay, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and, as a result, our assessments and expectations on these factors may differ from the actual situations. Any of the above factors may significantly reduce our profit and materially and adversely affect our business, prospects, financial condition and results of operations.

**We incurred deficit and recorded net liabilities during the Track Record Period and may continue to have deficit going forward, which can expose us to liquidity risk.**

We had a total deficit of RMB790.5 million and RMB1,246.3 million as of December 31, 2021 and 2022, respectively. A total deficit can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt or issuance of our equity interest, which may not be available on terms favorable or commercially reasonable to us or at all. We had net liabilities of RMB790.5 million and RMB1,246.3 million as of December 31, 2021 and 2022, respectively, primarily attributable to our convertible redeemable preferred shares which we recorded as non-current liabilities. Although we expect our net liability position to be reversed after the automatic conversion of the convertible redeemable preferred shares into Shares upon the Listing, a net liabilities position can expose us to the risk of shortfalls in liquidity. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

**We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all and we are exposed to credit risk.**

We believe our current cash and cash equivalents and the estimated net proceeds from the Global Offering will be sufficient to meet our anticipated cash needs for at least the next 12 months from the date of this Prospectus. We may, however, require additional cash resources to meet our continued operating cash requirements in the future, especially to fund our R&D activities. Our cash operating costs mainly consist of (i) R&D costs including staff costs, third



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## RISK FACTORS

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party contracting costs, and others and (ii) workforce employment costs. In 2021 and 2022, we incurred total cash operating costs of RMB156.6 million and RMB247.8 million, respectively. For more details of our cash operating costs, see “Financial Information – Cash Operating Costs.” We expect our cash operating costs will increase significantly in light of our expanding clinical trial programs. Additionally, we are exposed to credit risk on the cash and cash equivalents deposited in financial institutions. In the event that any of them becomes insolvent and is taken into receivership by the relevant government agencies, there will be uncertainty as to the timing and extent to which we will be able to recover our cash on deposit at such financial institution. Moreover, if the financial resources available to us after the Listing are insufficient to satisfy our cash requirements, we may seek additional funding through equity offerings, debt financings, collaborations and licensing arrangements. It is uncertain whether financing will be available in the amounts or on terms acceptable to us, if at all. If we were not able to obtain additional capital to meet our cash requirements in the future, our business, financial condition, results of operations and prospects could be materially and adversely affected.

**Raising additional capital may cause dilution to our shareholders, restrict our operations or, when licensing of intellectual property rights is deployed as a means of financing our operations, require us to relinquish rights to our technologies or product candidates.**

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that may adversely affect your rights as a holder of our Shares. Incurring additional debt could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future arrangements when we might be able to achieve more favorable terms.

**Share-based payment may cause shareholding dilution to our existing Shareholders and have a negative effect on our financial performance.**

We adopted an equity incentive plan for the benefit of our employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. In 2021 and 2022, we incurred share-based compensation of RMB41.1 million and RMB100.0 million, respectively. To further incentivize our employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the

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shareholding percentage of our existing Shareholders. Assuming full vesting and exercise of all outstanding options and share awards, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment option is not exercised) will be diluted by approximately 18.67%. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a negative effect on our financial performance.

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

During the Track Record Period, we had certain financial liabilities categorized within Level 3 fair value measurement, which included the convertible redeemable preferred shares measured at fair value through profit or loss (“FVTPL”). We recorded total deficits of RMB790.5 million and RMB1,246.3 million as of December 31, 2021 and 2022, respectively, primarily due to such financial liabilities. In 2021 and 2022, the amount of fair value losses on convertible redeemable preferred shares recognized in profit or loss was RMB120.3 million and RMB327.1 million, respectively. The estimated changes in fair value involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. For more details, see “Financial Information – Significant Accounting Policies, Judgements and Estimates – Fair Value Measurement.” As such, the financial liabilities valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these derivative financial liabilities and result in significant fluctuations in profit or loss from year to year. The Preferred Shares will automatically convert into Shares upon Listing, at which time we expect to record them as equity and, accordingly, turn into a net asset position. However, we do expect to recognize additional loss from the fair-value changes of financial liabilities after December 31, 2022 to the Listing Date, and we may still retain accumulated losses due to the fair-value loss of our convertible redeemable preferred shares prior to the Listing.

### **RISKS RELATING TO DOING BUSINESS IN CHINA**

**The broader dermatology treatment and care industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our product candidates.**

The broader dermatology treatment and care industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new products. In recent years, the regulatory framework in China regarding the broader dermatology treatment and care industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our product candidates in China and reduce the benefits we believe are available to us from developing and manufacturing products in China.

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We are subject to laws that are applicable to our business, including advertising and promotion laws, pricing laws and consumer rights and interests protection laws, and other consumer protection laws that could subject us to penalties and other administrative actions. Laws and regulations related to e-commerce and social media activities in China may impose additional requirements and obligations on our on-line channels or could increase our compliance cost.

**Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.**

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

**There are uncertainties regarding the interpretation and enforcement of the PRC laws, rules and regulations.**

A large portion of our operations are conducted in China through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new

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and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the nonbinding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Additionally, the NMPA's reform of the drug-approval system may face implementation challenges in recent years. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our product candidates in a timely manner.

In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than we would in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

**We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.**

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends.

In response to the persistent capital outflow in China and RMB's depreciation against the U.S. dollar, the People's Bank of China, or PBOC, and the State Administration of Foreign Exchange of the PRC (SAFE) promulgated a series of capital control measures, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process

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may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

**Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, which may impose new burdens on us.**

The PRC Foreign Investment Law, or the FIL, was enacted by the NPC on March 15, 2019 and became effective on January 1, 2020, which replaces a trio of previous laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. This law has become the legal foundation for foreign investment in the PRC. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Implementation Rules to the Foreign Investment Law were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. However, uncertainties exist with respect to interpretation and implementation of the FIL and its Implementation Rules, which may adversely impact our corporate governance practice and increase our compliance costs. For instance, the FIL imposes information reporting requirements on foreign investors or foreign-invested enterprises. Failure to take timely and appropriate measures to cope with any of these or other regulatory compliance requirements under the FIL may lead to rectification obligations, penalties or other regulatory sanctions on us.

**More stringent restrictions on the remittance of RMB into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign-currency-denominated obligations. The RMB is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is

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expected to be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

**Our business benefits from certain financial incentives and preferential policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.**

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries as part of their efforts to encourage R&D activities. We recorded government grants of RMB3.2 million and RMB6.3 million in 2021 and 2022, respectively, which represent subsidies from local governments. The local governments have the discretion in deciding the timing, amount and criteria of government financial incentives and thus we cannot predict with certainty whether or how much financial incentive will be granted to us even if we apply for such funding. We generally do not have the ability to influence local governments in making these decisions. Government authorities may also decide to reduce or eliminate incentives or may amend or terminate the relevant financial incentive policies at any time. In addition, some of the government financial incentives are granted to us on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

**We are subject to PRC tax laws and regulations.**

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

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**It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.**

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China. Almost all of our assets are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the U.S., the United Kingdom, or most other western countries. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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**Any failure by the Shareholders or beneficial owners of our Shares to comply with PRC foreign exchange or other regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.**

SAFE has promulgated several regulations associated with offshore investment such as Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) or SAFE Circular 37, issued and effective on July 4, 2014, the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (《國家外匯管理局關於發佈<境內機構境外直接投資外匯管理規定>的通知》) (SAFE Circular 30). Failure to comply with the various SAFE regulations might result in liability under PRC laws for evasion of applicable foreign exchange restriction, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and other regulations; however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with relevant SAFE rules and other regulations. We cannot assure you that all of our Shareholders or beneficiaries will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by SAFE rules or other regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.



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**We and our shareholders face uncertainty relating to PRC laws and regulations relating to the indirect transfer of equity interests in PRC resident enterprises by a non-PRC resident enterprise.**

On February 3, 2015, the State Taxation Administration of the PRC (STA) issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》), or Circular 698, which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Circular 7 contains certain exemptions, including (i) the Public Market Safe Harbor described below; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. However, it remains unclear whether any exemptions

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under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the Public Market Safe Harbor or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares that do not qualify for the Public Market Safe Harbor by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market,” or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in “Information about this Prospectus and the Global Offering” in this Prospectus, potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

**Under the EIT Law, we may be classified as a “PRC resident enterprise” for PRC income tax purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.**

Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. A tax circular issued by STA on April 22, 2009, or Circular 82, regarding the standards used to classify resident enterprises clarified that dividends and other distributions paid by such resident enterprises which are considered to be PRC source income will be subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. The implementing rules of the EIT Law define “de facto management bodies” as “management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting and properties” of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal and minutes of board meetings and shareholders’ meetings; and (iv) half or more of senior management or directors having voting rights. On July 27, 2011, the PRC State Administration of Taxation issued Administrative Measures of Enterprise

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Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration. Currently, most of the members of our management team are, and the management team of some of our offshore shareholders may be, located in China. However, Circular 82 and Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign corporations like us. In the absence of detailed implementing regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign corporations like us are PRC resident enterprises, we do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise.

Despite the foregoing, the STA may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the “*de facto* management body” test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company or any of our non-PRC subsidiaries is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, under the EIT Law and its implementing rules issued by PRC tax authorities dividends paid by us to our non-PRC shareholders may be subject to a withholding tax of 10% for non-PRC enterprise shareholders and 20% for non-PRC individual shareholders, and gains recognized by our non-PRC shareholders may be subject to PRC tax of 10% for non-PRC enterprise shareholders and 20% for non-PRC individual shareholders (which in the case of dividends may be withheld at source). Any PRC tax liability on dividends or gain described above may be reduced under applicable tax treaties. However, it is unclear whether, if our Cayman Islands holding company is considered a PRC resident enterprise, non-PRC shareholders would be able to obtain in practice the benefit of income tax treaties entered into between PRC and their countries. Similarly, these unfavorable consequences could apply to our other offshore companies if they are classified as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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**Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the proceeds from the Global Offering effectively and affect our ability to fund and expand our business.**

The PRC government imposes controls on the convertibility of foreign currencies into Renminbi. Under China's existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to significant foreign-exchange controls and require the registration with, and approval of, PRC governmental authorities. In particular, if one subsidiary receives foreign-currency loans from us or other foreign lenders, these loans must be registered with SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be filed with or approved by certain government authorities, including the MOFCOM or its local counterparts and the State Administration for Industry and Commerce (now known as the State Administration for Market Regulation ("SAMR")) through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the SAFE.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which came into force from June 1, 2015. On June 9, 2016, SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. For example, under SAFE Circular 19 and SAFE Circular 16, we may still not be allowed to convert foreign-currency-registered capital of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment except for principal-guaranteed bank products. Further, SAFE Circular 19 and SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital to provide loans to a its non-affiliated company. On October 23, 2019, SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, according to which non-investment foreign-invested enterprises are permitted to make domestic equity investments with their capital funds provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. On April 10, 2020, SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》),

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or SAFE Circular 8, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing, without providing evidentiary materials concerning authenticity of each expenditure, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how they will be implemented, and there exist substantial uncertainties with respect to its interpretation and implementation by government authorities and banks.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

**The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, and relevant regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rules require that the Ministry of Commerce, or the MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have an impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. The approval from MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies.

The Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the National People's Congress, or NPC, which became effective in August 2008, requires that when a concentration of undertakings occurs and reaches statutory thresholds, the undertakings concerned shall file a prior notification with MOFCOM. Without the clearance from MOFCOM, no concentration of undertakings shall be implemented and effected. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold under the Provisions on Thresholds for Prior

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Notification of Concentrations of Undertakings (《關於經營者集中申報標準的規定》) or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. If such prior notification is not obtained, MOFCOM may order the concentration to cease its operations, dispose of shares or assets, transfer the business of the concentration within a time limit, take any other necessary measures to restore the situation as it was before the concentration, and may impose administrative fines. SAMR becomes the successive authority of MOFCOM with regard to the above matters, upon the government reorganization in March 2018.

In addition, the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors relating to national security are subject to strict review by the MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions.

We cannot preclude the possibility that the MOFCOM or other government agencies may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

**Failure to comply with relevant regulations relating to social insurance and the housing provident fund may subject us to penalties and adversely affect our business, financial condition, results of operations and prospects.**

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund under the relevant PRC laws and regulations for our employees. For more details relating to these relevant laws and regulations, see the paragraph headed “Regulatory Overview – Regulations on Labor” in this Prospectus.

During the Track Record Period, we engaged third-party human resource agency to pay social insurance premium and housing provident funds for 10 of our employees. Pursuant to the agreement entered into between such third-party human resources agency and us, the third-party human resources agency have the obligation to pay social insurance premium and housing provident funds for our relevant employees on behalf of us. We expect to make contributions to the social insurance plans and the housing provident fund to those 10 employees after the expiration of the term of the agreement between third-party human resources agency and us. As of the Latest Practicable Date, we had not received any

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administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agency. These 10 employees have never pursued any claims against us with the competent authorities. As advised by our PRC Legal Advisor, considering the facts stated above, the risk of us being subject to material penalties as a result of paying the social insurance premium or housing provident funds through third-party agency and thus have any material adverse effect on our financial condition or results of operations taken as a whole is relatively low. However, if the local governments determine the use of third-party agency to pay social insurance and housing provident funds to be non-compliant in the future or such human resource agency fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. The maximum exposure of penalties for the above non-compliance is that if we fail to pay social insurance contributions on time and in full, the social insurance agency shall place an order with us demanding full payment within a prescribed period. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department. This in turn may adversely affect our financial condition and results of operations.

### **Laws and regulations related to e-commerce activities in China may impose additional requirements and obligations on our online operations.**

As the e-commerce industry is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our e-commerce business. If the PRC government establishes stricter regulatory requirements on e-commerce activities in the future, we may need to comply with additional obligations with respect to our business on online channels, and we cannot assure you that we would be able to meet the evolving regulatory requirements in a timely manner. Although we are not operators of e-commerce platforms, we may still need to change our online distribution model to comply with the new regulations, which could affect our operation structure, require additional investment or make it more onerous to operate online business. In addition, any non-compliance with such rules and regulations may also adversely affect our online distribution model, which would further impair our profitability. In consideration that the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) is relatively new, there are substantial uncertainties with respect to the interpretation and implementation of the E-commerce Law and how it may impact our business operations. We cannot guarantee that the compliance measures we have taken are fully consistent with the interpretation of regulators, and there is a risk that we may be punished by those regulators because of any non-compliance activities.

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### **We may be required to complete filing procedures with the CSRC for the listing and trading of our Shares on the Hong Kong Stock Exchange.**

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM, the SASAC, the STA, the SAIC, the CSRC, and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which became effective on September 8, 2006, and amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. However, uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Administrative Measures**”) and five supporting guidelines, which has become effective on March 31, 2023. The Trial Administrative Measures, require, among others, that PRC domestic enterprises that seek to offer and list securities in overseas markets, either directly or indirectly, to file the required documents with the CSRC within three business days after its application for overseas listing is submitted. On the same date, the CSRC promulgated the Notice on the Arrangement for the Filing-based Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Arrangement for Filing-based Administration**”). According to the Arrangement for Filing-based Administration, PRC domestic enterprises shall not be required to complete the filing procedures if all of the following conditions are met: (i) the application for indirect overseas offering or listing shall have been approved by the overseas regulatory authorities or the overseas stock exchanges (for example, a contemplated offering and/or listing in Hong Kong has passed the hearing) prior to the effective date of the Trial Administrative Measures; (ii) it is not required to re-perform the overseas regulatory procedures for overseas securities offering and listing; and (iii) such overseas securities offering or listing shall be completed before September 30, 2023. We have passed the hearing before March 31, 2023 and if our Global Offering can be completed before September 30, 2023, as advised by our PRC Legal Advisor, we will not be required to file with the CSRC with respect to this Global Offering.



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Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this Global Offering or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside of the PRC, delay or restrict the repatriation of the proceeds from the Global Offering into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

**Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

The SAT has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Also, pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are the PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. After our company becomes an overseas listing company upon completion of the Global Offering, we and our directors, executive officers and other employees who are the PRC residents and who have been granted options may follow SAFE Circular 7 to register with SAFE or its local counterparts. We will make efforts to comply with these requirements upon completion of our Global Offering. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under the PRC law.

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**The political relationships between China and other countries or regions may affect our business operations.**

During the Track Record Period, we have formed partnerships with entities in foreign countries and regions and initiated or plan to initiate clinical trials, in other countries and regions. Establishing new collaboration partnerships globally is key to our future growth. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the prospects of maintaining existing or establishing new collaboration partnerships.

There can be no assurance that such collaborators or business partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Since mid-2018, political tension has increased between China and the U.S. There can be no assurance that potential collaboration partners will not alter their perception of us or their preferences as a result of such adverse changes between China and relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects. It also remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. If the U.S. were to withdraw from or materially modify certain international trade agreements to which it is a party, especially with respect to intellectual properties transfer, our business, financial condition and results of operations could be negatively impacted.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**No public market currently exists for our Shares, and an active trading market for our Shares may not develop especially taking into account that certain of our existing shareholders may be subject to a lock-up period.**

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Overall Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will rise following the Global Offering.

In particular, certain part of the Shares in issue as of the date of this Prospectus will be subject to a lock-up period from the Listing Date, which may significantly affect the liquidity and trade volume of our Shares in the short term following the Global Offering. A listing on the Hong Kong Stock Exchange does not guarantee that an active and liquid trading market for our Shares will develop, especially during the period when a certain portion of our Shares may be subjected to lock-up, or if it does develop, that it will sustain following the Global Offering, or that market price of the Shares will rise following the Global Offering.

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## RISK FACTORS

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**The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.**

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting the broader dermatology treatment and care industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our distributors and suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

**There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price.**

The Offer Price of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**Future sales or perceived sales of our Shares in the public market by our Shareholders following the Global Offering could materially and adversely affect the price of our Shares.**

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the Global Offering could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

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## RISK FACTORS

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**You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the share incentive schemes.**

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

**We do not expect to pay dividends in the foreseeable future after the Global Offering.**

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and commercialization of our products and product candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

**Our Controlling Shareholders have had and will continue to have substantial influence over the outcome of shareholder actions in our Company. The interests of our Controlling Shareholders may not be aligned with the interests of our other Shareholders.**

Upon completion of the Global Offering, the Controlling Shareholders will hold 49.82% of our total issued and outstanding Shares (assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis and the Over-allotment Option is not exercised). As a result, the Controlling Shareholders, will have significant influence over our business, including decisions regarding mergers, consolidations, liquidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions.

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As the interests of the Controlling Shareholders may differ from the interests of our other Shareholders, they may take actions that are not in the best interest of us or our other Shareholders. This concentration of ownership of the Controlling Shareholders may discourage, delay or prevent a change in control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their Shares as part of a sale of our Company and may reduce the price of the Shares. In addition, it is possible that the Controlling Shareholders may exercise substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders. These events may occur even if they are opposed by our other Shareholders. Thus, the Controlling Shareholders may limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that other holders of our ordinary shares may view as beneficial.

**Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.**

The change in the value of RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. We recognized foreign exchange losses of RMB23.0 million in 2021 and foreign exchange gains of RMB74.0 million in 2022. Substantially all of our costs are denominated in RMB and the U.S. dollars, most of our assets are cash and cash equivalents primarily denominated in RMB and the U.S. dollars, and our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against RMB or U.S. dollars against RMB may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars.

**Facts, forecasts and statistics in this Prospectus relating to the broader dermatology treatment and care industry may not be fully reliable.**

Facts, forecasts and statistics in this Prospectus relating to the industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. We believe that the sources of such information is appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

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## RISK FACTORS

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**You should read the entire Prospectus carefully, and we caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.**

Subsequent to the date of this Prospectus but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this Prospectus, the Global Offering and any formal announcements made by us in Hong Kong when making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus.

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## WAIVERS AND EXEMPTIONS

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In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and certificates of exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters and principal business operations are primarily located in the PRC, our management is best able to attend to its function by being primarily based in the PRC. As such, the Sole Sponsor has applied, on behalf of our Company, to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Ms. Zhang Lele, our executive Director and CEO, and Ms. Chan Sze Ting, our company secretary. Ms. Chan Sze Ting is situated and based in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of our authorized representatives will be readily contactable by telephone, facsimile and email to deal promptly with enquiries from the Stock Exchange;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required. In the event that a Director expects to travel or is otherwise out of office, he/she will endeavor to provide his/her phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone;
- (c) each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

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## WAIVERS AND EXEMPTIONS

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- (d) pursuant to Rule 3A.19 of the Listing Rules, we has appointed Somerley Capital Limited as our compliance advisor, which will have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us;
- (e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Advisor;
- (f) we will appoint other professional advisors (including legal advisors in Hong Kong) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
- (g) our Company has designated staff members as the communication officer at our headquarters after the Listing who will be responsible for maintaining day-to-day communication with Ms. Chan Sze Ting, our company secretary, and our Company's professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Advisor, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

### **WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO EQUITY INCENTIVE PLAN**

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in this Prospectus full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule.



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## WAIVERS AND EXEMPTIONS

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Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the Prospectus.

As of the date of this Prospectus, our Company had granted outstanding options under the Pre-IPO Equity Incentive Plan to 109 grantees (the “**Grantee(s)**”) to subscribe for an aggregate of 6,684,862 Shares (to be adjusted to 33,424,310 Shares upon the completion of Share Subdivision). Among the outstanding options, two Directors who are also members of our senior management (Ms. Zhang Lele and Mr. Huang Yuqing), all other five members of senior management and other 102 Grantees of our Group (who are not Directors, members of senior management or connected persons of the Company) were granted options to subscribe for 3,971,475, 1,181,366 and 1,532,021 Shares, respectively (to be adjusted to 19,857,375, 5,906,830 and 7,660,105 Shares upon the completion of Share Subdivision). Among the 102 other Grantees, three of them are our consultants, who were granted options to subscribe for 397,715 Shares (to be adjusted to 1,988,575 Shares upon the completion of Share Subdivision).

As of the date of this Prospectus, our Company had granted outstanding share awards under the Pre-IPO Equity Incentive Scheme to 87 participants (the “**Awardee(s)**”) for an aggregate of 7,276,967 Shares (to be adjusted to 36,384,835 Shares upon the completion of Share Subdivision). Among the outstanding share awards, two Directors who are also members of our senior management (Ms. Zhang Lele and Mr. Huang Yuqing), all other five members of senior management and other 80 Awardees of our Group (who are not Directors, members of senior management or connected persons of the Company) were granted share awards for 2,483,380, 2,268,634 and 2,524,953 Shares, respectively (to be adjusted to 12,416,900, 11,343,170 and 12,624,765 Shares upon the completion of Share Subdivision). No share awards were granted to any consultants.

The Shares underlying the outstanding options and share awards represent approximately 10.99% and 11.97% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan). No options and share awards under the Pre-IPO Equity Incentive Plan will be further granted. For more details of our Pre-IPO Equity Incentive Plan, see “Statutory and General information – Equity Incentive Plans – Pre-IPO Equity Incentive Plan” in Appendix IV.

The Sole Sponsor has applied, on behalf of our Company, to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to

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## WAIVERS AND EXEMPTIONS

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the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the options and share awards granted to the Grantees and Awardees in this Prospectus on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

- (a) as of the date of this Prospectus, we had granted outstanding options to a total of 109 Grantees under the Pre-IPO Equity Incentive Plan to acquire an aggregate of 6,684,862 Shares (to be adjusted to 33,424,310 Shares upon the completion of Share Subdivision), representing approximately 10.99% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan). The Grantees under the Pre-IPO Equity Incentive Plan include two Directors who are also members of our senior management (Ms. Zhang Lele and Mr. Huang Yuqing), all other five members of senior management and other 102 Grantees of our Group (who are not Directors, members of senior management or connected persons of our Company). Among the 102 other Grantees, three of them are our consultants, who were granted options to subscribe for 397,715 Shares (to be adjusted to 1,988,575 Shares upon the completion of Share Subdivision);
- (b) as of the date of this Prospectus, we had granted outstanding share awards to a total of 87 Awardees under the Pre-IPO Equity Incentive Scheme to acquire an aggregate of 7,276,967 Shares (to be adjusted to 36,384,835 Shares upon the completion of Share Subdivision), representing approximately 11.97% of the total number of Shares in issue immediately after completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Scheme). The Awardees under the Pre-IPO Equity Incentive Scheme include two Directors who are also members of our senior management (Ms. Zhang Lele and Mr. Huang Yuqing), all other five members of senior management and 80 other Awardees of our Group (who are not Directors, members of senior management or connected persons of our Company). No share awards were granted to any consultants;
- (c) our Directors consider that it would be unduly burdensome to disclose in the Prospectus full details of all the options and share awards granted by us to each of the Grantees and Awardees, which would significantly increase the cost and time required for information compilation and prospectus preparation for strict compliance with such disclosure requirements. For example, we would need to collect and verify the addresses of over 109 Grantees and 87 Awardees to meet the disclosure requirement. Further, the disclosure of the personal details of each Grantee and Awardee, including their names, addresses for the grantees and the number of options and share awards granted, may require obtaining consent from the

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## WAIVERS AND EXEMPTIONS

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Grantees and Awardees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of Grantees and Awardees;

- (d) material information on the options and share awards has been disclosed in the Prospectus to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options and share awards in making their investment decision, and such information includes:
- (i) a summary of the terms of the Pre-IPO Equity Incentive Plan;
  - (ii) the aggregate number of Shares subject to the outstanding options and share awards and the percentage in our total issued Shares of which such number represents;
  - (iii) the dilutive effect and the impact on earnings per Share upon issue of Share in respect of the options and share awards immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan);
  - (iv) full details of the outstanding options and share awards granted to Directors, members of the senior management, consultants and connected persons (if any) of our Company, on an individual basis, are disclosed in the Prospectus, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
  - (v) with respect to the options and share awards granted to persons other than those referred to in (iv) above, disclosure are made in the Prospectus on an aggregate basis, and the following details will be disclosed in the Prospectus, including (a) the aggregate number of such Grantees and the number of Shares subject to the options, the consideration paid for the grant of the options and the exercise period and the exercise price for the options, and (b) the aggregate number of such Awardees and the number of Shares subject to the share awards, the consideration paid for the grant of the share awards and the vesting period for the share awards; and
  - (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively,

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## WAIVERS AND EXEMPTIONS

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the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEX-GL11-09 issued in July 2009 and updated in March 2014 and January 2023 by the Stock Exchange;

- (e) the 99 Grantees and 80 Awardees who are not Directors, members of the senior management, consultants or connected persons of the Company have been granted options and/or share awards under the Pre-IPO Equity Incentive Plan to acquire an aggregate of 3,659,259 Shares (to be adjusted to 18,296,295 Shares upon the completion of Share Subdivision), which is not material in the circumstances of our Company, and the exercise in full of such options and share awards will not cause any material adverse change in the financial position of our Company;
- (f) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group; and
- (g) a full list of all the Grantees and Awardees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule will be made available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of the Prospectus as disclosed in the section headed “Documents Delivered to the Registrar of Companies and on Display” in Appendix V.

The Stock Exchange has granted us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions that disclosure in respect of the information referred to in paragraph (d) above has been made in this Prospectus.

The SFC has granted us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of the outstanding options granted to Directors, members of the senior management, consultants and connected persons (in any) of our Company, on an individual basis, are disclosed in the Prospectus, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

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## WAIVERS AND EXEMPTIONS

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- (b) with respect to the options granted to persons other than those referred to in (a) above, disclosure are made in the Prospectus on an aggregate basis, and the following details will be disclosed in the Prospectus, including the aggregate number of Shares subject to the options, the consideration paid for the grant of the options, the exercise period and the exercise price for the options;
- (c) a full list of all the Grantees (including the persons referred to in (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Equity Incentive Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of the Prospectus as disclosed in the section headed “Documents Delivered to the Registrar of Companies and on Display” in Appendix V; and
- (d) the particulars of the exemption be set forth in this Prospectus and that this Prospectus will be issued on or before Wednesday, May 31, 2023.

### **EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE AND PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the “**Third Schedule**”), and set out the reports specified in Part II of the Third Schedule.

Paragraph 27 of Part I of the Third Schedule requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule further requires a company to include in its prospectus a report by the auditors of the company with respect to (i) the profits and losses of the company for each of the three financial years immediately preceding the issue of the prospectus and (ii) the assets and liabilities of the company of each of the three financial years immediately preceding the issue of the prospectus.

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under

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## WAIVERS AND EXEMPTIONS

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the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange be included in the accountants' report to the prospectus.

Our Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a listing under Chapter 18A of the Listing Rules. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead be references to "two financial years" or "two years", as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report set out in Appendix I is currently prepared to cover the two financial years ended December 31, 2021 and 2022. As such, the Sole Sponsor has applied, on behalf of our Company, to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule regarding the inclusion of the Accountants' Report covering the full three financial years immediately preceding the issue of this Prospectus on the following grounds:

- (a) our Company is an R&D-driven, dermatology-focused biopharmaceutical company, and falls within the scope of Biotech Company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for listing required under Chapter 18A of the Listing Rules;
- (b) given that our Company is only required to disclose its financial results for each of the two financial years ended December 31, 2021 and 2022 under Chapter 18A of the Listing Rules, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule would be unduly burdensome for our Company;
- (c) during the Track Record Period, the Group generated revenue of RMB2.0 million and RMB11.4 million for the years ended December 31, 2021 and 2022 respectively, substantially all of which was generated from the sale of our in-licensed and

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## WAIVERS AND EXEMPTIONS

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distributed scalp diseases and care products (CU-40102, CUP-MNDE and CUP-SFJH), skin diseases and care products (CU-10201), and certain skin care products, including facial masks, creams, toners, sprays, serums and gels. In addition, the Group has conducted various rounds of financing since its establishment, details of which have been fully disclosed in the subsections headed “History, Development and Corporate Structure – Corporate Development” and “History, Development and Corporate Structure – Pre-IPO Investments”;

- (d) notwithstanding that the financial results set out in this Prospectus are only for the two financial years ended December 31, 2021 and 2022 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Prospectus pursuant to the relevant requirements; and
- (e) the Accountants’ Report covering the two financial years ended December 31, 2021 and 2022 (as set out in Appendix I), together with other disclosures in this Prospectus, have already provided adequate and reasonable up-to-date information in the circumstances for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the investing public.

The SFC has granted us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule on the condition that particulars of the exemption are set out in this Prospectus and that this Prospectus will be issued on or before May 31, 2023.

### **ALLOCATION OF SHARES TO CORNERSTONE INVESTOR WHO IS CONNECTED WITH DEUTSCHE BANK AG, HONG KONG BRANCH**

Paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules provides that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to “connected clients” of the overall coordinators, any syndicate members or any distributors.

Paragraph 13(7) of the Appendix 6 states that “connected clients” in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP (“**Harvest**”) is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC (“**Harvest SPC**”) is a segregated portfolio company established in the Cayman Islands. 91% of the management shares of Harvest SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the

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## WAIVERS AND EXEMPTIONS

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management shares are held by Harvest Global Capital Investments Limited. HGI is wholly-owned by Harvest Fund Management Co., Ltd., which in turn is 30% owned by DWS Investments Singapore Limited (“DWS”).

Deutsche Bank AG, Hong Kong Branch (“DBHK”) is one of the Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers in respect of the Global Offering. As DWS is a wholly-owned subsidiary of Deutsche Bank AG, by virtue of the relationship between HGI and DWS disclosed above, Harvest is a connected client of DBHK.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit Harvest to participate in the Global Offering as a cornerstone investor subject to the following conditions:

1. any Shares to be allocated to Harvest will be held for, and on behalf of, independent third parties;
2. the cornerstone investment agreement to be entered with Harvest will not contain any material terms which are more favorable to Harvest than those in other cornerstone investment agreements;
3. DBHK does not participate in the decision-making process or relevant discussion as to whether Harvest will be selected as a cornerstone investor;
4. Harvest has not received, and will not receive preferential treatment in the allocation as a cornerstone investor by virtue of its relationship with DBHK, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles as set out in HKEX-GL51-13;
5. each of the Overall Coordinators, the Company, DBHK and Harvest will provide the Hong Kong Stock Exchange written confirmations in accordance with HKEX-GL85-16;
6. details of the allocation will be disclosed in the Prospectus and the allotment results announcement; and
7. details of the application of this consent will be disclosed in this Prospectus.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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*An investment in our Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward Looking Statements” in this Prospectus.*

### **DIRECTORS’ RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This Prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors (including any proposed Director who is named as such in this document), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 2,128,400 Hong Kong Offer Shares and the International Offering of initially 19,153,400 International Offer Shares (subject, in each case, to reallocation on the basis as set out in “Structure of the Global Offering” and assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan).

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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contained in this Prospectus and the **GREEN** Application Form, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

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

Further information regarding the structure of the Global Offering, including its conditions, is set out in “Structure of the Global Offering” of this Prospectus and the procedures for applying for our Hong Kong Offer Shares are set out in “How to apply for Hong Kong Offer Shares” and in the **GREEN** Application Form.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering”.

### **UNDERWRITING**

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Overall Coordinators (on behalf of the Underwriters) and us agreeing on the Offer Price on or before the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into. If, for any reason, the Offer Price is not agreed among the Overall Coordinators (on behalf of the Underwriters) and us on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For more details about the Underwriters and the underwriting arrangements, see “Underwriting”.

### **RESTRICTIONS ON OFFER AND SALE OF THE SHARES**

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this Prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this Prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, (a) the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), and (b) the Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Equity Incentive Plan.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Stock Exchange pursuant to this Prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this Prospectus shall, whenever made, be void.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, June 12, 2023. The Shares will be traded in board lots of 200 Shares each. The stock code of the Shares will be 2487.

Save as disclosed in this Prospectus, no part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this document. All the Shares will be registered on our Hong Kong Share Register in order to enable them to be traded on the Stock Exchange.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our Company's principal register of members will be maintained by our principal share registrar and transfer office, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on our Company's Hong Kong Share Register to be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Dealings in the Shares registered in our Company's Hong Kong Share Register will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong Share Register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the Shares.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this Prospectus contains translations among certain Renminbi amounts into Hong Kong dollars and of Renminbi amounts into U.S. dollars at specified rates.

Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars and of Renminbi into U.S. dollars, and vice versa, in this Prospectus was made at the following rates: RMB0.8971 to HK\$1.00; RMB7.0157 to US\$1.00; and HK\$7.8208 to US\$1.00. No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **LANGUAGE**

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including subsidiaries of our Group), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

### **ROUNDING**

Unless otherwise stated, all the numerical figures are rounded to one or two decimal places. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
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#### Executive Directors

Ms. Zhang Lele (張樂樂)	Room 1901, No. 11, Lane 168 Shiquan East Road Putuo District Shanghai, PRC	Chinese
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Mr. Huang Yuqing (黃雨青)	Room 415, 13 Canton Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
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#### Non-executive Directors

Dr. Chen Lian Yong (陳連勇)	No. 65, 2001 Longdong Avenue Pudong New District Shanghai, PRC	American
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Dr. Xie Qin (謝沁)	Room 902, No. 15, Lane 89 North Linping Road Hongkou District Shanghai, PRC	Chinese
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Mr. Huang Xiao (黃瀟)	No. 289, Meihua Road Huamu Town Pudong New District Shanghai, PRC	Chinese
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Ms. Yang Yunxia (楊雲霞)	2-29B, Guangcai International Apartment No. 18 Gongren Tiyuchang West Road Chaoyang District Beijing, PRC	Chinese
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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Address	Nationality
<b>Independent non-executive Directors</b>		
Mr. Chung Ming Kit (鍾明杰)	Flat E, 46 Floor, Block 6 The Long Beach 8 Hoi Fai Road, Tai Kok Tsui Kowloon Hong Kong	Chinese (Hong Kong)
Mr. Tao Tak Yan Dennis (陶德仁)	Flat B, 13/F, Tower 2, Phase 6 Bel-Air on the Peak Hong Kong	Chinese (Hong Kong)
Mr. Ye Xiaoxiang (葉曉翔)	Room 7-1001, Lane 61 Ju Ye Road Pudong New District Shanghai, PRC	Chinese

For more details of our Directors, see “Directors and Senior Management”.

### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b>	<b>China International Capital Corporation Hong Kong Securities Limited</b> 29/F, One International Finance Center 1 Harbour View Street Central Hong Kong
<b>Sole Sponsor-Overall Coordinator, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager</b>	<b>China International Capital Corporation Hong Kong Securities Limited</b> 29/F, One International Finance Center 1 Harbour View Street Central Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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

**Deutsche Bank AG, Hong Kong Branch**  
Level 60, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**CLSA Limited**  
18/F, One Pacific Place  
88 Queensway  
Hong Kong

**Huatai Financial Holdings (Hong Kong)  
Limited**  
62/F, The Center  
99 Queen's Road Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

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

**BOCI Asia Limited**  
26th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Joint Bookrunners and Joint Lead  
Managers**

**UOB Kay Hian (Hong Kong) Limited**  
6/F, Harcourt House  
39 Gloucester Road  
Hong Kong

**Futu Securities International  
(Hong Kong) Limited**  
Unit C1-2, 13/F, United Centre  
No.95 Queensway  
Hong Kong

**Valuable Capital Limited**  
Room 2808, 28/F, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Joint Lead Managers**

**Silverbricks Securities Company Limited**

Rooms 1004-1006, 10/F.  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan, Hong Kong

**Tiger Brokers (HK) Global Limited**

1/F, FWD Financial Centre  
308 Des Voeux Road Central  
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong and United States laws:*

**Davis Polk & Wardwell**

10/F, The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

*As to PRC laws:*

**Zhong Lun Law Firm**

6/10/11/16/17F, Two IFC  
8 Century Avenue  
Pudong New Area  
Shanghai  
PRC

*As to Cayman Islands laws:*

**Harney Westwood & Riegels**

3501 The Center  
99 Queen's Road Central  
Hong Kong

**Legal advisers to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong and United States laws:*

**Herbert Smith Freehills**

23rd Floor, Gloucester Tower  
15 Queen's Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to PRC laws:*

**CM Law Firm**

Room 2805, Plaza 66 Tower 2  
1366 West Nanjing Rd  
Shanghai  
PRC

**Auditor and Reporting Accountants**

**Ernst & Young**

*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**

Room 2504-2505  
Wheelock Square  
1717 Nanjing West Road  
Shanghai, PRC

**Compliance Advisor**

**Somerley Capital Limited**

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

**Receiving Banks**

**Bank of China (Hong Kong) Limited**

1 Garden Road  
Hong Kong

**Standard Chartered Bank (Hong Kong)  
Limited**

18/F, Standard Chartered Tower  
388 Kwun Tong Road, Kowloon  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	<b>Cutia Therapeutics</b> Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
<b>Head Office and Principal Place of Business in the PRC</b>	20/F, Huanzhi Building 436 Heng Feng Road Jingan District Shanghai, China
<b>Principal Place of Business in Hong Kong</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
<b>Company's Website</b>	<b><u><a href="http://www.cutiatx.com">www.cutiatx.com</a></u></b> <i>(the information contained on this website does not form part of this Prospectus)</i>
<b>Company Secretary</b>	<b>Ms. Chan Sze Ting (陳詩婷)</b> <i>(chartered secretary, chartered governance professional and associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Authorized Representatives</b>	<b>Ms. Zhang Lele (張樂樂)</b> Room 1901, No. 11, Lane 168 Shiquan East Road Putuo District Shanghai, PRC  <b>Ms. Chan Sze Ting (陳詩婷)</b> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Audit Committee</b>	Mr. Chung Ming Kit (鍾明杰) ( <i>Chairman</i> ) Mr. Ye Xiaoxiang (葉曉翔) Mr. Tao Tak Yan Dennis (陶德仁)
<b>Remuneration Committee</b>	Mr. Ye Xiaoxiang (葉曉翔) ( <i>Chairman</i> ) Dr. Chen Lian Yong (陳連勇) Mr. Chung Ming Kit (鍾明杰)
<b>Nomination Committee</b>	Dr. Chen Lian Yong (陳連勇) ( <i>Chairman</i> ) Mr. Tao Tak Yan Dennis (陶德仁) Mr. Chung Ming Kit (鍾明杰)
<b>Principal Share Registrar</b>	<b>Harneys Fiduciary (Cayman) Limited</b> 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
<b>Hong Kong Share Registrar</b>	<b>Tricor Investor Services Limited</b> 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Principal Banks</b>	<b>Shanghai Pudong Development Bank</b> Zhangjiang Technology Branch No. 56, Boyun Road Zhangjiang Hi-Tech Park Pudong New District Shanghai, China  <b>China Merchants Bank</b> Wuxi New District Branch 1-102 Huirong Plaza Xinwu District Wuxi City Jiangsu Province, China

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## INDUSTRY OVERVIEW

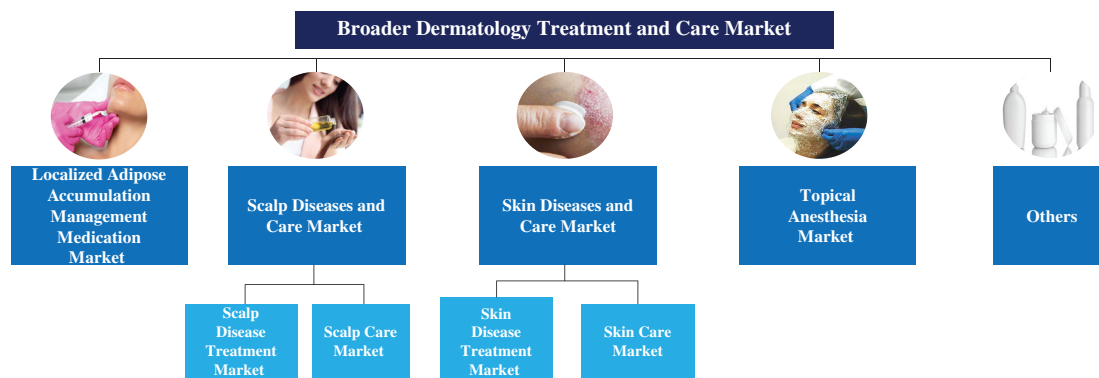
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*The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

### BROADER DERMATOLOGY TREATMENT AND CARE MARKET

#### Market Composition Overview

The broader dermatology treatment and care market in China could be classified into localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia, among others as illustrated below.



Source: Frost & Sullivan analysis

The broader dermatology treatment and care market in China has the following features.

- *Mismatch between supply and demand.* The demand for dermatology treatment and care products is increasingly diversified as a result of the growing patient and consumer population, while the variety of supplies is relatively limited. As the population concerned with dermatological problems becomes more widespread, the severity of consumers' dermatological problems, their age, and their income levels become more diverse, the market demand for dermatological products continues to grow and diversify. Moreover, the development of demands has outpaced that of supply, leaving consumers' needs not fully met.

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## INDUSTRY OVERVIEW

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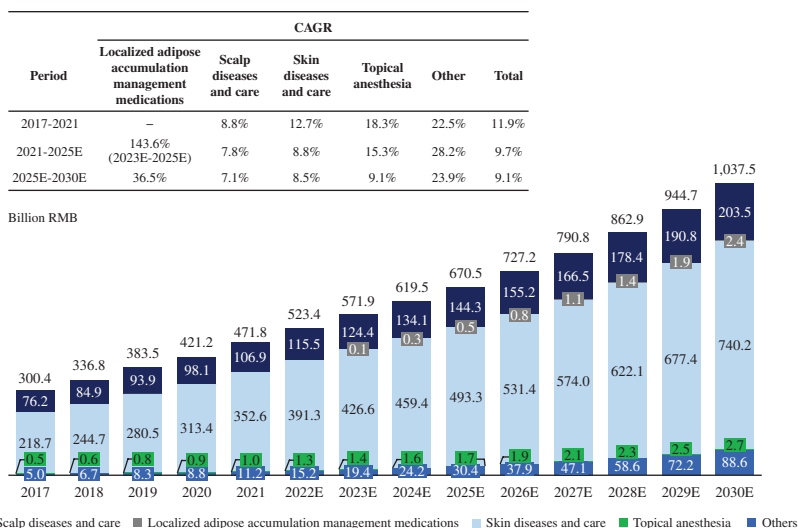
- *The lack of one-stop solution provider with complete product portfolios addressing consumer needs across major treatment fields and treatment and care cycle.* In China's broader dermatology treatment and care market, few players have extensive product pipelines that cover the major treatment fields and consumers' diverse demands during their treatment and care cycle. Most companies in the industry specialize in certain field, focusing on developing either dermatology care products or medications for treatment of certain types of diseases. Companies that have diverse product pipelines can benefit from the synergy among their product portfolios to constantly build brand awareness and gain market shares.
- *The demands for dermatologic products are diversified and constantly evolving during consumers' treatment and care cycle.* The demands for dermatologic products constantly evolve during consumers' life cycles, such as intense attention among teenagers for skin treatment and care, while high attention in scalp treatment and care among mid-age population. Correspondingly, dermatologic diseases progress such that consumers or patients demand differently with respect to the skin diseases at different stages. For example, mild acne treatment usually suggests monotherapy in topical fashion, and moderate to severe acne treatment usually combines oral and topical drugs treatment.
- *Limited novel therapies in China.* Current topical drugs for dermatologic diseases approved in China are mostly generic drugs. Novel topical therapies for the safe and effective long-term management of dermatologic problems are greatly needed to supplement current treatment regimens.
- *Most companies lack integrated capabilities across the industry value chain.* The whole industry value chain of dermatologic product contains R&D, registration, mass production, marketing and commercialization. In China, a number of brand owners of dermatology products adopt combinations of in-house production, entrusted production, OEM and ODM to control their costs. Biotech companies might rely on CDMO to support their mass production. Companies that have end-to-end operating capabilities across the industry value chain can achieve positive internal synergy and reach operational efficiency.

## INDUSTRY OVERVIEW

### Broader Dermatology Treatment and Care Market Size in China

The following table sets forth the size of the broader dermatology treatment and care market in China:

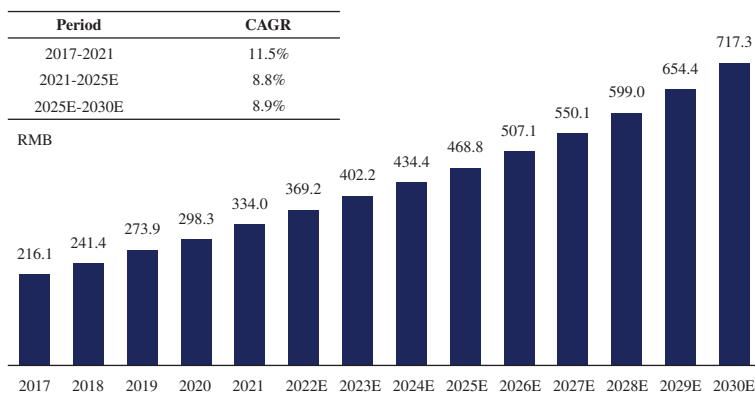
#### Market Size of Broader Dermatology Treatment and Care in China, 2017-2030E



Source: Annual Reports, Expert Interview, Frost & Sullivan analysis

The following table sets forth the historical and expected per capita expenditure on broader dermatology treatment and care in China:

#### Per Capita Expenditure On Broader Dermatology Treatment and Care in China, 2017-2030E



Source: NBSC, Frost & Sullivan analysis

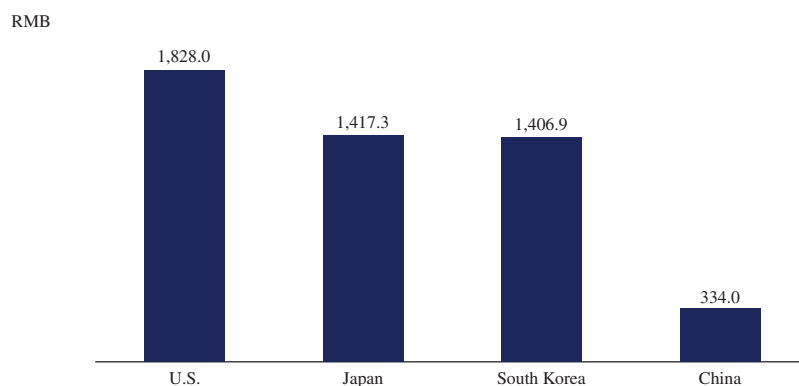
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## INDUSTRY OVERVIEW

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A gap exists between developed countries and China in terms of per capita expenditure on broader dermatology treatment and care. In 2021, the per capita expenditure on broader dermatology treatment and care in the U.S., Japan and South Korea reached RMB1,828.0, RMB1,417.3 and RMB1,406.9, respectively. By comparison, the per capita expenditure on broader dermatology treatment and care in China in 2021 was RMB334.0, which is still far behind that of developed countries, representing a large market potential.

### Comparison of Per Capita Expenditure on Broader Dermatology Treatment and Care (China, U.S., Japan and South Korea), 2021



Note: Exchange rate: USD1=RMB6.4

Source: World Bank, NBSC, Frost & Sullivan analysis

### Growth Drivers

The following key factors have primarily driven the growth of the broader dermatology treatment and care market in China:

- *Increase in disposable income.* China's per capita annual disposable income reached RMB35,128.0 in 2021 from RMB25,973.8 in 2017 with CAGR of 7.8%. With the increase in disposable income, an increasing number of Chinese consumers are able to afford the out-of-pocket costs relating to broader dermatology treatment and care products. China is also undergoing a consumption upgrade, making dermatology treatment and care products more appealing to Chinese consumers.
- *The rise of skin disease and care management consciousness and awareness, and willingness to pay.* As the market expands, consumers can receive more information through diverse marketing channels. The ease of access to dermatology treatment and care knowledge has increased consumers' acceptance of broader dermatology treatment and care products as well as their willingness to pay.



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## INDUSTRY OVERVIEW

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- *Despite rise of skin and hair management consciousness, the penetration of dermatology products remains low.* Modern sedentary lifestyle, poor dieting, highly-stressful office jobs and other complex factors could induce endocrine and other disorders, which may lead to dermatological complications such as alopecia and skin disease. Despite the rise of skin health and skin disease and care management consciousness, the per capita consumption of broader dermatology treatment and care products in China is still low compared with developed countries.
- *Emergence of safe, effective, and consumers-friendly topical products.* In recent years, a number of novel products with innovative mechanisms of action and dosage forms have been launched or under development in China. The improvement in those new products makes them more effective, safer and more consumer-friendly, which caters to consumers' diverse demands and drives market growth. Transdermal drug delivery has emerged as one of the most attractive alternative to conventional oral and intravenous administrations because of its direct application at the site of action, consistent and reliable drug concentration over protracted dosing periods, and ease of administration. For dermatologic conditions, local administration helps reduce systemic buildup in drug concentration and the nonspecific action on non-targeted organs by the active ingredients, reducing the risks of side effects brought by the systemic exposure.

### Entry Barriers

Despite the growth drivers discussed above, significant entry barriers remain in the broader dermatology treatment and care market in China:

- *Acute insights into consumer needs.* Dermatologic problems cover a wide range of conditions and target consumers can range from children and teenagers to the elderly. The needs and preference of different consumer groups can be significantly different. For example, alopecia patients are mostly male consumers who mainly focus on effects and safety problems while young consumers also take user experience of products into account. As a result, the acute understanding of consumer needs is critical. It is important for market players to gauge the needs and interests of the target consumer groups in different market segments, to stay abreast and to further guide latest market trends.
- *Scientific understanding of dermatology and pharmacology enabling transdermal drug/substance delivery for precision medicine.* The physicochemical properties of the skin translate to multiple obstacles and restrictions in transdermal delivery. It is important for market players to have a deep understanding of dermatology and pharmacology to conduct investigations and build up effective transdermal drug delivery systems.

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## INDUSTRY OVERVIEW

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- *Integrated capabilities.* Integrated capabilities, including the capabilities to conduct medical research based on the understanding of the mechanism of action of drugs and the pathophysiology of skin and human bodies, the capabilities to conduct product development based on the characteristics of raw materials and formulation components, the capabilities of registration, mass production as well as commercialization are crucial to developing dermatology treatment and care products. Developing such capabilities requires significant time, resources and expertise, posing a barrier for new market entrants. Mutually beneficial and sustainable collaboration with downstream medical institutions and consumers are indispensable elements for success in this market. It is essential for market players to have solid network, as well as strong capabilities to promote their products in the market.
- *Comprehensive product offerings.* Dermatologic problems cover a wide range of conditions, which are often caused by multiple factors and can rarely be solved by any single treatment. As the dermatologic conditions progress with time, the symptoms and consumers demands vary greatly. Moreover, dermatology treatment usually needs to be accompanied by effective daily care products. To address the diverse dermatological concerns of different consumers, it is crucial for companies in this market to provide a comprehensive portfolio of dermatology products and a one-stop solution tailored to different consumer groups, with ample cross-selling and up-selling opportunities. Developing such a comprehensive portfolio requires significant time and resources.
- *Recognition among consumers, physicians, medical institutions, and other industry stakeholders.* Given that dermatology treatment and care products have a direct effect on consumers, success in this market hinges on strong brand recognition among consumers, physicians, and medical institutions, and other industry stakeholders, who are inclined to adopt well-recognized products with proven efficacy and safety records.

### **Pain Points**

The following significant pain points remain in the broader dermatology treatment and care market in China:

- *Limitation of the existing treatment.* Due to the low cost, oral antibiotics have been used for dermatologic diseases for a long time, however oral antibiotics treatments have side effects such as growing bacterial resistance and local side effects such as diarrhea and pains. In order to achieve the better treatment effect, gradual increment of drugs dosage over a certain period of time is required. Lower dosage might be unable to give immediate and observable response to skin conditions, resulting longer treatment time.

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## INDUSTRY OVERVIEW

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- *Lack of alternative solutions.* Alternative treatments of dermatological diseases may improve drug efficiency comparing with the traditional treatment. For example, in atopic dermatitis treatment, the targeted treatment demonstrates improved clinical efficacy. However, such innovation in treatments requires dermatologic companies to constantly invest in R&D and cooperating experienced dermatologists. Currently, the China dermatological treatment and care market for most of the alternative dermatological treatments is still at its nascent stage.
- *Awareness of dermatological issues and low penetration rate.* With lower awareness of dermatologic treatment, only few patients with dermatological diseases seek for professional dermatological assistance. Patients with mild dermatological issues rarely realize the status of their skin health and mild symptoms compromise patients' qualities of life to a small degree. Comparing with developed countries, the per capital consumption of skin diseases and care products is much lower in China, suggesting that the awareness of the importance of skin health and the effects of dermatological product remain low using penetration rate in China market.

### LOCALIZED ADIPOSE ACCUMULATION MANAGEMENT TREATMENT MARKET

An individual has three statuses with respect to body weight from normal weight to obesity, namely normal weight, overweight and obesity. Overweight and obesity are defined as abnormal or excessive fat accumulation that increases the risk of noncommunicable diseases, such as: a) cardiovascular diseases (mainly heart disease and stroke), which were the leading cause of death in recent years; b) diabetes; c) musculoskeletal disorders (especially osteoarthritis - a highly disabling degenerative disease of the joints); and d) some cancers (including endometrial, breast, ovarian, prostate, liver, gallbladder, kidney, and colon cancers). In China, a body mass index between 18.5 kg/m<sup>2</sup> to 23.9 kg/m<sup>2</sup> is considered normal weight, more than or equal to 24 kg/m<sup>2</sup> is considered overweight and more than or equal to 28 kg/m<sup>2</sup> is considered obesity in adults. Subcutaneous adipose accumulation is a typical manifestation of obesity and overweight. There are many causes of obesity or adipose accumulation with lifestyle factors such as a high-calorie diet and lack of exercise being the most important ones. Genetic susceptibility, pathological factors including diabetes, Cushing's syndrome, neuroendocrine tumors and other diseases can lead to clinical signs of obesity or adipose accumulation. Some glucocorticoid drugs' side effects can also lead to obesity or adipose accumulation.

To date, the available anti-obesity treatments on the market include systemic and local treatments. Systemic treatment is the reduction of fat accumulation through the regulation of endocrine or metabolism by drugs such as oral orlistat or subcutaneous administration of GLP-1 receptor agonists, rather than the reduction of localized fat accumulation in specific areas. Local treatment is the reduction of localized fat accumulation through the use of energy-based fat reduction devices, localized fat accumulation management medications and liposuction procedures.

## INDUSTRY OVERVIEW

Localized treatments include two main categories, namely non-surgical fat reduction and surgical fat reduction (liposuction surgery). The non-surgical fat reduction includes localized adipose accumulation management medications and energy-based fat reduction procedures such as cryolipolysis and ultrasonic cavitation. A detailed comparison for these three treatments is set forth below:

	Localized Adipose Accumulation Management Medications	Energy-based Fat Reduction	Liposuction Surgery
Introduction	Functional ingredients mainly include deoxycholic acid and recombinant mutant collagenase.	Energy-based fat reduction is non-surgical procedure that are performed with devices that utilize various forms of energy, such as cold temperature, ultrasound, laser, radiofrequency, etc. for fat reduction and body contouring. Treatments approved in China include cryolipolysis and ultrasonic cavitation.	Liposuction is a surgical procedure that uses a suction technique to remove fat from specific areas of the body, such as the abdomen, hips, thighs, buttocks, arms or neck. It can be performed alone or along with other plastic surgery procedures, such as autologous fat transfer or abdominoplasty. Treatments include suction assisted liposuction (SAL), water-assisted liposuction (WAL), laser liposuction, ultrasound assisted liposuction (UAL), etc.
Mechanisms	The medicine is given to the subcutaneous fat tissue and destroys the membrane of the adipocytes or the extracellular matrix, which induces apoptosis of the adipocytes. Then the body's immune system clears the fatty acid through the lymphatic system and liver.	The device is placed on the area to be treated and brings energy to the subcutaneous layers where fat cells accumulate, which destroys the fat cells or induces apoptosis of the fat cells. Then the body's immune system clears the fatty acid through the lymphatic system and liver.	SAL, WAL, etc. physically crush the localized adipose tissue and suck out the fat through the incision. Laser lipolysis, UAL, etc. rely on energy to induce adipocyte swelling and rupture, and then suck out the lysate through a needle.
Major Equipment	No equipment required	CoolSculpting (Zeltiq), UltraShape V3 (Syneron)	Body-jet (Human Med), VASER (Solta Medical), SP Dynamis (Fotona)
Procedure Duration	15-20 mins	~1 hour	2-4 hours
Invasiveness	Minimally invasive treatment with less postoperative pain	Non-invasive procedures	Invasive surgery with significant postoperative pain
Full Recovery Time <sup>(1)</sup>	2-4 weeks	Within a week	1-3 months
Side Effects	For deoxycholic acid: Swelling (65.8%, median duration: 9-10 days), bruising (54.6%), numbness (49.6%), erythema (38%), induration (22.5%), etc.	Erythema (26.3%), numbness (9.1%), bruising (3.7%), edema/swelling (2.5%), etc.	Swelling (almost every procedure, duration: 4-6 weeks), seromas (3.5%), surface irregularities (8.2%), skin laxity (4.2%), etc.
SAE rates	For deoxycholic acid: 0.1% (recovered mandibular nerve injury) For recombinant mutant collagenase: 0	0.7% (paradoxical adipose hyperplasia)	0.1%. The rates of fatal complications is 1 in 5000.
Treatment Restrictions	Burden on liver to metabolize, several treatments are needed to see the results and long interval between each treatment	High costs, risks of cold injury and erythema, efficacy depending on technical factors including device's applicator	Permanent bumpy and wavy skin due to uneven fat removal, temporary pockets of fluid formed under skin requiring routine drainage operator-dependence, high costs, invasiveness
Efficacy	Percentage of patients who achieved a ≥10% reduction from baseline in submental volume based on MRI is 43.3%.	Average reduction in caliper measurement ranged from 14.7% to 28.5%.	Depending on the volume of adipose tissue aspirated during surgery.

*Note:*

- (1) Among the three treatment options, localized adipose accumulation management medication is less invasive than liposuction surgery, and energy-based fat reduction is non-invasive. Difference of invasiveness leads to difference of the postoperative discomfort, side effects and the restriction of everyday activities, further resulting in different full recovery time lengths.

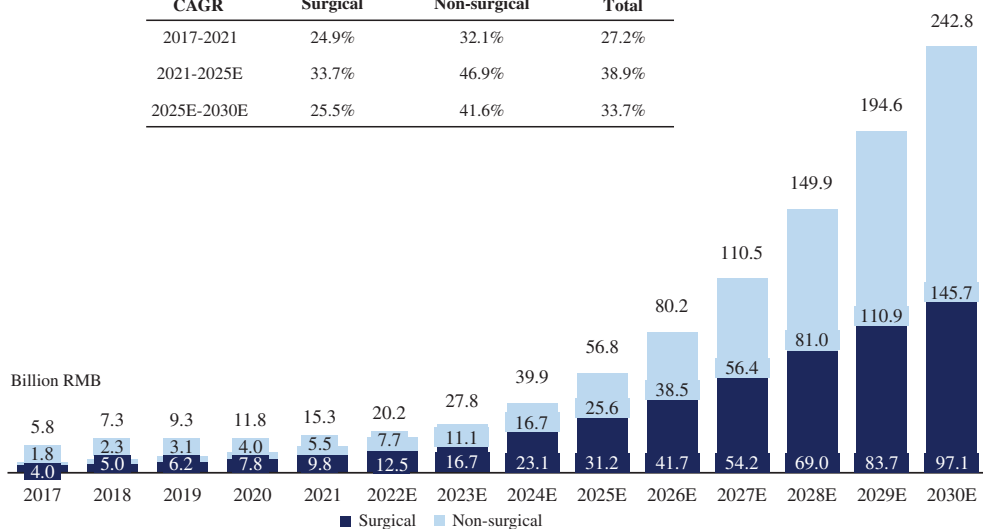
*Source: Literature Search, Frost & Sullivan analysis*

## INDUSTRY OVERVIEW

The following table sets forth the market size of localized adipose accumulation management treatment in China:

### Localized Adipose Accumulation Management Treatment Market, 2017-2030E

CAGR	Surgical	Non-surgical	Total
2017-2021	24.9%	32.1%	27.2%
2021-2025E	33.7%	46.9%	38.9%
2025E-2030E	25.5%	41.6%	33.7%



*Note:* The market size data is based on the price at service end, and the non-surgical service data includes localized adipose accumulation management medication.

*Source:* Frost & Sullivan analysis

## INDUSTRY OVERVIEW

### *Localized Adipose Accumulation Management Medication*

Localized adipose accumulation management medication is a dermatology treatment, which is applied in the subcutaneous layer against excessive subcutaneous fat with minimal invasiveness treatment and less postoperative pain in dermatological departments. The medicine is applied to the subcutaneous fat tissue and destroys the membrane of the adipocytes or the extracellular matrix, which induces apoptosis of the adipocytes. Then the body’s immune system clears the fatty acid through the lymphatic system and liver. These treatments can be applied to subcutaneous fat in the body, including but not limited to, the submental area and abdomen. Certain localized adipose accumulation medications can further treat obesity, overweight or other localized adipose accumulation associated metabolic diseases. The main components of localized adipose accumulation management medication include, among others, collagenase, and phosphatidylcholine. The following table sets forth the characteristics of medication for localized adipose accumulation:

Core Components	Drug Type	Mechanism of Action	Site of Action	Consequence of Adipocytes	Reaction of Surrounding Tissue
<b>Deoxycholic Acid</b>	Small molecule	It can effectively dissolve the adipocyte membrane, leading to the disintegration of adipocytes. It is targeted to adipocytes and has a long-lasting effect.	Cell membrane of adipocytes	Immediate cell lysis and necrosis	Significant inflammation
<b>Recombinant Mutant Collagenase</b>	Biologics	It can degrade the ECM of adipocytes, resulting in the adipocytes losing their support and inducing apoptosis of adipocytes.	Collagen in the extracellular matrix that adipocytes attached to	Subsequent apoptosis	Less inflammation
<b>Phosphatidylcholine</b>	Small molecule	It reacts with sodium deoxycholate to destroy the adipocyte membrane, and the decomposed fat is transformed into water and other fat microspheres to participate in the metabolism of the body.	TNF- $\alpha$ mediated pathway inside adipocytes	Apoptosis	Less inflammation

- Besides the main components that induce reduction of localized subcutaneous fat, localized adipose accumulation management medication products can also contain other additives to promote clinical effects and improve skin conditions.
- Common additive components include L-carnitine, hyaluronic acid, polypeptides, etc.

Main Additives and Their Effects	
⊛ <b>L-carnitine</b>	Promote fatty acid oxidation
⊛ <b>Hyaluronic Acid</b>	Tighten and smooth the look of the skin
⊛ <b>Polypeptides</b>	Stimulate the secretion of more lipolytic enzymes that decompose fat into fatty acids and glycerol, thus promoting fat metabolism

Source: Frost & Sullivan analysis

The Core Product is a localized adipose accumulation management medication. A comprehensive efficacy profile of the Core Product for obesity, overweight or other localized adipose accumulation associated metabolic diseases should be carried out after pivotal studies. However, based on its Phase I clinical results, it demonstrates its therapeutic potential for localized adipose accumulation to reduce the risks of obesity, overweight or other localized adipose accumulation associated metabolic diseases. For more information, please see “Business” in this prospectus.

In addition to preliminary clinical results, there is substantial evidence of a positive correlation between localized adipose accumulation and obesity or overweight. A multicenter retrospective cross-sectional study in China showed that both subcutaneous adipose tissue area and subcutaneous adipose tissue index increased gradually in normal weight, overweight and obese people (Kong M. et al. Assessing Visceral Obesity and Abdominal Adipose Tissue

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## INDUSTRY OVERVIEW

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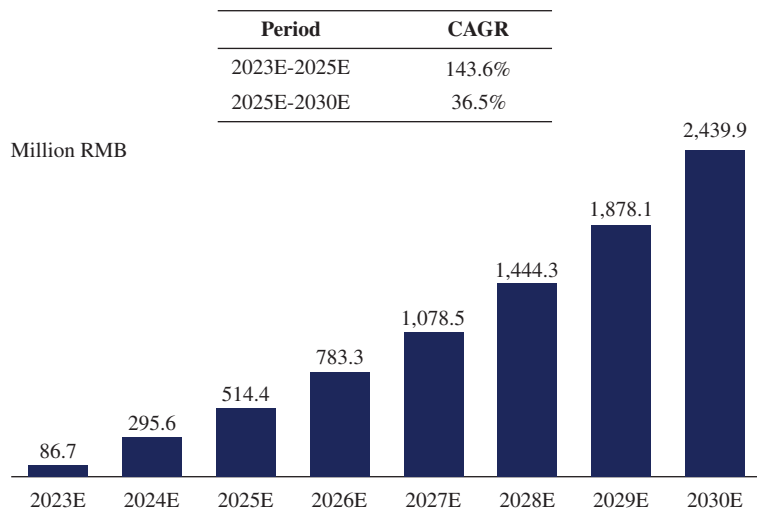
Distribution in Healthy Populations Based on Computed Tomography: A Large Multi-center Cross-Sectional Study. *Front Nutr.* 2022;9:871697). Another study showed that increased subcutaneous adipose tissue might increase the risk of diabetes development in men (Matsha TE et al. Visceral and subcutaneous adipose tissue association with metabolic syndrome and its components in a South African population. *Clin Nutr ESPEN.* 2019;32:76-81). In a prospective cohort study, participants with higher waist circumference, an indicator of abdominal adipose accumulation, were more likely to have hypertension and high cholesterol. A high waist circumference (upper decile) was a strong risk factor for type 2 diabetes (RR: 20.4; 95% CI: 12.3, 33.8) (Wang Y, et al. Comparison of abdominal adiposity and overall obesity in predicting risk of type 2 diabetes among men, *Am J Clin Nutr.* 2005;81(3):555-563). Studies on molecular mechanism also supported that adipose tissue lies at the center of obesity and cardiometabolic diseases, representing a major contributor to disease pathogenesis (Sakers A. et al., Adipose-tissue plasticity in health and disease, *Cell* 2022;185(3):419-446). In overweight or obesity patients, white adipose tissue is severely dysfunctional and may not expand properly to store the energy excess, leading to numerous deleterious effects associated with the unhealthy expansion of the white adipose tissue, including inflammation, fibrosis, hypoxia, altered adipokines secretion and mitochondrial dysfunction. Thus, overweight or obesity induces ectopic fat deposition and further leads to systemic insulin resistance and an increased risk of type 2 diabetes (Longo M, et al., Adipose Tissue Dysfunction as Determinant of Obesity-Associated Metabolic Complications, *International Journal of Molecular Sciences*, 2019: 20(9):2358). As the Core Product targets localized adipose accumulation, it can decrease the excessive localized adipose tissue to directly improve the symptoms of obese or overweight and therefore has the potential to reduce risks of metabolic diseases.

### **Market Size of Localized Adipose Accumulation Management Medication**

The following table sets forth the market size of localized adipose accumulation management medication in China. The growth drivers in the market size of localized adipose accumulation management medication in China include: (i) a number of localized adipose accumulation medications are expected to be approved in China in particular, from 2023 to 2025; (ii) the recognition and availability of localized adipose accumulation medications continue to improve due to their safety profiles and ease of treatment; (iii) China's obese population that can receive adipose accumulation management medication is estimated to grow continuously; (iv) customers receiving adipose accumulation management medication generally demonstrate a high re-purchase rate in order to maintain the desired results; (v) from 2023 to 2025, when several localized adipose accumulation management medications are launched in the market, the education and promotion of physicians by each product manufacturer continues to increase the clinical penetration of the products; (vi) the clinical use of the products in hospitals will increase the credibility of the products and the number of users. The addressable market of the Core Product only constitutes a very small subset of the entire broader dermatology treatment and care market in China.

## INDUSTRY OVERVIEW

### Market Size of Localized Adipose Accumulation Management Medications in China, 2023-2030E



*Note:* The assumptions to estimate the significant growth in the market size of localised adipose accumulation management medication during the period from 2023 to 2025 reaching 143.6% are on the following bases: (i) currently, there are no approved drugs for the management of localized fat accumulation in China. However, according to the clinical development pipeline published by the NMPA, two localized adipose accumulation medications are expected to be approved in China from 2023 to 2025. (ii) According to the official literature review “Report on Chinese Residents’ Chronic Diseases and Nutrition” and expert interview, the number of diagnosed patients with obesity or localized adipose accumulation is expected to increase rapidly from 0.3 million to 0.5 million, with a CAGR of 24.1%. (iii) According to expert interview, the recognition and availability of localized adipose accumulation management medication continues to increase due to their improved safety and ease of treatment. As a result, the market penetration of adipose accumulation management medication is expected to increase from 20% to 48%, with a CAGR of 54.9% from 2023 to 2025. The large patient base and rapid growth in sales of approved adipose accumulation management medication will in turn contribute to the rapid growth of the market size at a CAGR of 143.6% during the period from 2023 to 2025.

The assumptions to estimate the significant growth in the market size of localised adipose accumulation management medication during the period from 2025 to 2030 dropping down to 36.5% are on the following bases: (i) according to Frost & Sullivan’s market research and interview with KOLs, the number of patients with obesity or localized adipose accumulation will increase from 0.5 million to 0.8 million with a CAGR of 11.3% during the period from 2025 to 2030. The decrease in the growth rate is due to the large number of patients received localized treatment and improved their lifestyle. (ii) The academic-education and promotion strategies of developers continue to the increasing clinical penetration of the products. The penetration rate of localised adipose accumulation management medications is expected to increase from 48% to 64.2% with a CAGR of 6.0% during the period from 2025 to 2030. From 2025 to 2030, the penetration rate will maintain a more stable growth from 48.0% to 64.2% with a CAGR of 6.0%. With the emergence of localized adipose accumulation medications, expansion of treatment options, and innovation in services, the customer base for localized adipose accumulation medications in China is expected to expand significantly in the first two years, leading to higher growth in penetration rate. After 2025, as a large number of medications and other therapies will be approved, the growth rate of patient numbers become stable, the market has been well-educated, and patients’ treatment preferences will stabilize and thus the penetration of localized adipose accumulation medications will grow at a slower rate than in the previous two years. This trend follows the industry practice of drug market penetration.

*Source: Frost & Sullivan analysis*



## INDUSTRY OVERVIEW

### Competitive Landscape

Currently, there has been no localized adipose accumulation management medication approved in China. Three product candidates are in clinical trial stages in China. CU-20401 is not proposed or intended to be the sole option for addressing obesity, overweight, or other localized adipose accumulation associated metabolic diseases. It also may be challenging for us to obtain approval for the use of CU-20401 for abdominal adipose accumulation as no similar drugs have been approved for the same indication.

Drug	Registration Classification <sup>(1)</sup>	Applicant	Indication	Status	First Posted Date <sup>(2)</sup>
Deoxycholic Acid	3	Nanjing Noratech	Improvement in moderate to severe contour bulging/excessive facial fullness due to the accumulation of submental fat in adults	Phase III	2021/09
CU-20401	1	Cutia	Improvement in submental adipose accumulation in adults	Phase I completed	2021/08
			Improvement in abdominal adipose accumulation in adults	Phase I (ongoing)	
Deoxycholic Acid	3	Nanjing Minova	Submental fat	IND Approval	2021/07

*Notes:*

1. Registration Classification:

Class 3: Drugs manufactured by domestic applicants by imitating the original drugs that have been marketed overseas but not yet in China

Class 1: Innovative drugs that have not been marketed in China or overseas

2. First posted date denotes the date when the trial is first publicly announced on the CDE website. Information as of November 4, 2022. Phase I trial of CU-20401 in submental adipose accumulation has been completed.

3. Deoxycholic acid (Kybella) is an approved localized adipose accumulation management medication globally indicated for improvement in the appearance of moderate to severe convexity or fullness associate with submental fat in adults. A Phase II clinical trial of Sisram’s product candidate RZL-012 has been completed in the U.S. Sisram planned to commence a Phase III clinical trial in China, and such trial has not commenced as of the Latest Practicable Date.

4. According to Frost & Sullivan, in the Phase III trials of Kybella, adults with a moderate or severe amount of SMF (as graded by both the clinician using CR-SMFRS and the patient using PR-SMFRS) who were dissatisfied with the appearance of their face/chin based on rating of the SSRS were randomized 1:1 to either Kybella or placebo for up to 6 treatment sessions (every 28 ± 5 days), and efficacy assessments were conducted at 12 weeks after last treatment.

The primary endpoints were percentage of patients who achieved a ≥1-grade improvement in SMF from baseline based on both clinician (CR-SMFRS) and patient (PR-SMFRS) assessment (composite CR-1/PR-1 response), and percentage of patients who achieved a ≥2-grade improvement in SMF from baseline (composite CR-2/PR-2 response). Secondary endpoints included the percentage of patients who achieved a ≥10% reduction from baseline in submental volume based on MRI and mean change from baseline in the psychological impact of SMF using PR-SMFIS.

Safety was assessed throughout the trials via spontaneous reports of adverse events and findings from clinical laboratory tests, vital sign assessments, and physical examinations.

Source: CDE, Frost & Sullivan analysis

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## INDUSTRY OVERVIEW

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In the U.S. and Europe, deoxycholic acid (Kybella) is an approved localized adipose accumulation management medication in U.S. and Europe indicated for improvement in the appearance of moderate to severe convexity or fullness associate with submental fat in adults. A Phase II clinical trial of Sisram's product candidate RZL-012 has been completed in the U.S. After administration of RZL-012 into the subcutaneous layer with localized adipose tissue accumulation, RZL-012 directly disrupts integrity of adipocyte cell membrane and causes cell necrosis, thereby leading to inflammatory response and formation of fibrotic tissue. The clinical trial has not disclosed safety data. The pre-clinical study demonstrated the treatment limitation of RZL-012 due to the presence of significant liponecrosis induced at the administered areas occurred as early as 24 hours after dosing and inflammation lasted for at least 14 days. Sisram planned to commence a Phase III clinical trial in China, and such trial has not been commenced as of the Latest Practicable Date.

In Asia, Kybella has been approved in Hong Kong and Taiwan and V-OLET, a deoxycholic acid product developed by Daewoong Pharmaceutical, has been approved as localized adipose accumulation management medication to treat moderate to severe contour bulging due to the accumulation of submental fat in adults in South Korea. In Asia, in addition to Kybella, RZL-012 and V-OLET, there are four other competing products, namely MT921, AYP-101, deoxycholic acid (Nanjing Noratech) and deoxycholic acid (Nanjing Minova). MT921, developed by Medytox, is under evaluation in Phase III clinical trials in South Korea.

## INDUSTRY OVERVIEW

The table below shows the competitive landscape for CU-20401 and competing products of localized adipose accumulation management medication pipelines in Asia. Other than the below table, no competing candidates will be imported into Asia in the near future according to public information.

Drug	Company	Indication	Highest Development Stage	Region	First Posted Date
V-OLET (Deoxycholic acid)	Daewoong	Moderate to severe contour bulging due to the accumulation of submental fat in adults	Approval	Korea	2021/08
Kybella (Deoxycholic acid)	Allergan	Improvement in the appearance of moderate to severe convexity or fullness associated with submental fat in adults	Approval	Hong Kong	2018/05
				Taiwan	2017/05
MT921 (Cholic acid)	Medytox	Moderate to severe submental fat	Phase III	Korea	2022/01
Deoxycholic Acid	Nanjing Noratech	Improvement in moderate to severe contour bulging/excessive facial fullness due to the accumulation of submental fat in adults	Phase III	China	2021/09
AYP-101 (Polyene phosphatidylcholine)	AMIpHarm	Moderate to severe submental fullness	Phase II	Korea	2019/06
CU-20401	Cutia	Improvement in submental adipose accumulation in adults	Phase I completed	China	2021/08
		Improvement in abdominal adipose accumulation in adults	Phase I (ongoing)		2021/08
Deoxycholic Acid	Nanjing Minova	Submental fat	IND Approval	China	2021/07

*Note:* As of November 4, 2022.

Phase I trial of CU-20401 in submental adipose accumulation has completed.

A Phase II clinical trial of Sisram's product candidate RZL-012 has been completed in the U.S. Sisram planned to commence a Phase III clinical trial in China, and such trial has not been commenced as of March 5, 2023.

*Source:* NMPA, KFDA, Taiwan Food and Drug Administration, Hong Kong Drug Office, CDE, ClinicalTrials.gov, Frost & Sullivan Analysis

The table below shows a detailed comparison between CU-20401 with seven competing products. The data in the table is not based on head-to-head comparison between the relevant drugs. Clinical trials of a drug cannot be directly compared to the clinical trials of another drug and may not be representative of the overall data.

# INDUSTRY OVERVIEW

Core Components	Kybella	CU-20401	RZL-012	V-OLET	MT921	AYP-101	Deoxycholic Acid (Nanjing Noratech)	Deoxycholic Acid (Nanjing Minova)
<b>Drug Type</b>	Deoxycholic acid Chemical drug	Recombinant mutant collagenase Biologics	5-[3,6-dibromo-9H-carbazolo(9,9-γ)1H-2N,N,N-trimethylpiperan-1-yl]ammonium chloride Chemical drug	Deoxycholic acid Chemical drug	Cholic acid Chemical drug	Polyene phosphatidylcholine Chemical drug	Deoxycholic acid Chemical drug	Deoxycholic acid Chemical drug
<b>Mechanism of Action</b>	It can dissolve the adipocyte membrane, leading to the disintegration of adipocytes.	It can degrade the ECM of adipocytes, resulting in the adipocytes losing their support and inducing apoptosis of adipocytes.	It can disrupt cell membrane integrity and cause cell necrosis, followed by an inflammatory response and formation of fibrotic tissue.	It can dissolve the adipocyte membrane, leading to the disintegration of adipocytes.	Cholic acid is particularly effective in adipolysis, a process that involves destabilizing and disintegrating the lipid bilayer of adipocytes.	PPC selectively causes apoptosis and lipolysis in fat cells.	It can dissolve the adipocyte membrane, leading to the disintegration of adipocytes.	It can dissolve the adipocyte membrane, leading to the disintegration of adipocytes.
<b>Site of Action</b>	Cell membrane of adipocytes	Collagen in the extracellular matrix that adipocytes attached to	Cell membrane of adipocytes	Cell membrane of adipocytes	Cell membrane of adipocytes	Cell membrane of adipocytes	Cell membrane of adipocytes	Cell membrane of adipocytes
<b>Consequence of Adipocytes</b>	Cell lysis and necrosis	Subsequent apoptosis	Cell lysis and necrosis	Cell lysis and necrosis	Cell lysis and necrosis	Cell lysis and necrosis	Cell lysis and necrosis	Cell lysis and necrosis
<b>Efficacy in Submental Adipose Accumulation</b>	<ul style="list-style-type: none"> <li>52.2% of patients achieved 1-scale decrease in CR-SMFRS after second treatment session and 71.5% after fourth treatment session in phase III trials</li> <li>Hematoma (2.4,4% in phase I trial, 71.5% in phase III trial)</li> <li>Numbness (4.9% in phase I trial, 66.2% in phase III trial)</li> <li>Erythema (1.9,5% in phase I trial, 2.66% in phase III trial)</li> <li>Edema (7.3% in phase I trial, 60.4% in phase III trial)</li> <li>Swelling (35.2% in phase III trial, 29.3% in phase I trial, 69.5% in phase III trial)</li> </ul>	<ul style="list-style-type: none"> <li>37.5% to 75.0% of subjects achieved 1-scale decrease in CR-SMFRS after one treatment session in phase I trial</li> <li>No reported cases from phase I study</li> </ul>	<ul style="list-style-type: none"> <li>71.5% of patients achieved 1-scale or greater than 1-scale decrease in CR-SMFRS after six treatment session in phase III trials</li> <li>No reported cases</li> </ul>	<ul style="list-style-type: none"> <li>Numbness (11.9%)</li> <li>Edema (14.7%)</li> <li>Hardening (19.3%)</li> <li>Pain (11.0%)</li> </ul>	No reported cases	No reported cases	No reported cases	No reported cases
<b>Common Side Effects of Injection Sites</b>	<ul style="list-style-type: none"> <li>Hematoma (66.7%)</li> <li>Erythema (16.7%)</li> <li>Pain (81.3%)</li> <li>Edema/swelling (100%)</li> </ul>	No reported cases from phase I study	No reported cases from phase I study	No reported cases	No reported cases	No reported cases	No reported cases	No reported cases
<b>Serious Adverse Event</b>	Recovered mandibular nerve injury	No serious adverse events from phase I study	No reported cases from phase I study	Injury to the mandibular nerve	No reported cases	No reported cases	No reported cases	No reported cases
<b>Number of Treatments</b>	Up to 6 single treatments	No sufficient data to determine at this stage	No publicly available information	Up to 6 single treatments	No publicly available information	No publicly available information	No publicly available information	No publicly available information
<b>Number of Injections</b>	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat	Depend on treatment area and thickness of subcutaneous fat
<b>Duration of Treatments</b>	15-20 mins	15-20 mins	15-20 mins	15-20 mins	15-20 mins	15-20 mins	15-20 mins	15-20 mins

Source: Literature search (1. Dayan SH, Schlessinger J, Beer K, et al. Efficacy and Safety of ATX-101 by Treatment Session: Pooled Analysis of Data From the Phase 3 REFINER Trials. *Aesthet Surg J*. 2021;21(1):1-11. 2. Walker P, Lee D. A phase I pharmacokinetic study of ATX-101: serum lipids and adipokines following synthetic deoxycholic acid injections. *J Cosmet Dermatol*. 2021;21(1):1-11. 3. Gueta R, Blaugrund E, Bloomenfeld A, Herbst KL, RZL-012, a New Fat Dissolving Molecule, Tested in Dercum's Disease Patients. *Dermatol Surg*. 2021;47(8):1165-1166. 4. Ryu HJ, Moon HK, Lee J, Yang GH, Yang SY, Yun HY, Chae JW, Kang WH. Evaluation for Potential Drug-Drug Interaction of MT921 Using In Vitro Studies and Physiologically-Based Pharmacokinetic Models. *Pharmaceuticals (Basel)*. 2021 Jul 7;14(7):654. Company Official Website, KFDA Label, FDA Label, Frost & Sullivan analysis

## INDUSTRY OVERVIEW

The table below shows the competitive advantages or disadvantages of CU-20401 compared to other treatment options on the market. Data not based on head-to-head comparison between therapies, clinical trials of a therapy cannot be directly compared to the clinical trials of another therapy and may not be representative of the overall data. Compared to energy-based fat reduction and liposuction surgery, the CU-20401 treatment has the shortest treatment time and lowest treatment cost, which makes it an attractive treatment option for the management of localized adipose accumulation.

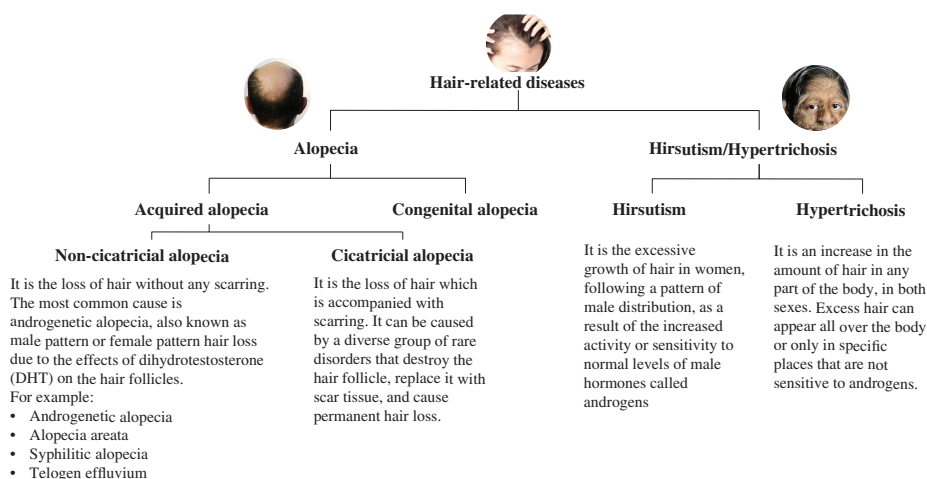
	CU-20401	Energy-based Fat Reduction	Liposuction Surgery
<b>Procedure Duration</b>	15-20 mins	1 hour	2-4 hours
<b>Invasiveness</b>	Minimally invasive treatment with less postoperative pain	Non-invasive procedures	Invasive surgery with significant postoperative pain
<b>Full Recovery Time</b>	2-4 weeks	Within a week	1-3 months
<b>Major Equipment</b>	No equipment required	CoolSculpting (Zeltiq), UltraShape V3 (Syneron)	Body-jet (Human Med), VASER (Solta Medical), SP Dynamis (Fotona)
<b>Common Side Effects</b>	Hematoma (66.7%), erythema (16.7%), pain (81.3%), edema/swelling (100%), etc.	Erythema (26.3%), numbness (9.1%), bruising (3.7%), edema/swelling (2.5%), etc.	Swelling (almost every procedure, duration: 4-6 weeks), seromas (3.5%), surface irregularities (8.2%), skin laxity (4.2%), etc.
<b>SAE rates</b>	Not clear: no reported cases from Phase I clinical trial, Phase II and Phase III clinical results have not been available to date	0.7% (paradoxical adipose hyperplasia)	0.1%. The rates of fatal complications is 1 in 5000.
<b>Effects of Procedures</b>	Multiple treatments may be needed to achieve desired results	Multiple treatments may be needed to achieve desired results	Immediate effects with desired amount of adipose tissue removed after one treatment
<b>Treatment Restrictions</b>	Burden on liver to metabolize, several treatments are needed to see the results and long interval between each treatment	High costs, risks of cold injury and erythema, efficacy depending on technical factors including device's applicator	Permanent bumpy and wavy skin due to uneven fat removal, temporary pockets of fluid formed under skin requiring routine drainage, operator-dependence, high costs, invasiveness

Source: Frost & Sullivan analysis

**SCALP DISEASES AND CARE MARKET**

**Scalp Diseases and Care Overview**

Alopecia and hirsutism/hypertrichosis are the two major hair-related diseases. Alopecia mainly affects scalp hairs while hirsutism/hypertrichosis mainly affects hairs in multiple body areas such as lips, abdomen, back and limbs. Alopecia is a prevalent and signature scalp condition, and it could be categorized into congenital alopecia and acquired alopecia. Acquired alopecia includes non-cicatricial and cicatricial alopecia, and the latter cause permanent hair loss. Androgenetic alopecia and alopecia areata are the two most prevalent types of alopecia, both of which belong to the non-cicatricial alopecia category. The following figure shows the major categories of hair-related diseases:



Source: Frost & Sullivan analysis

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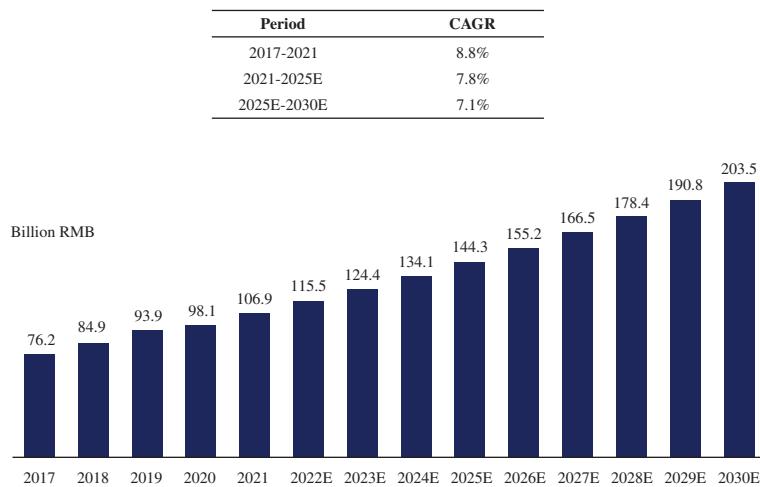
## INDUSTRY OVERVIEW

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### Market Size

The following chart shows the historical and projected market size of treatment and care products for alopecia in China:

#### Market Size of Treatment and Care Products for Alopecia in China, 2017-2030E



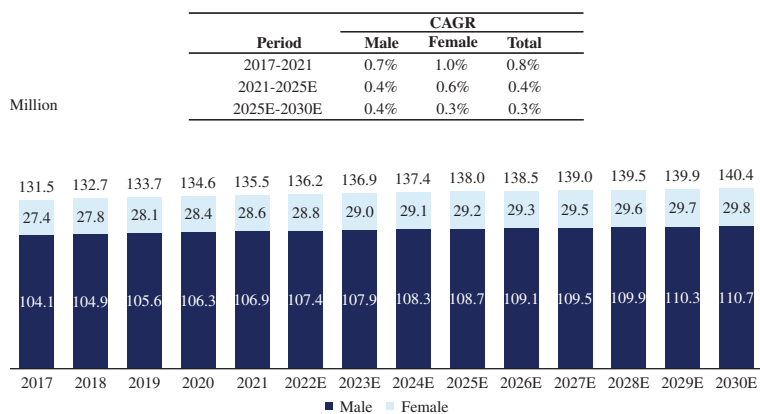
Source: Frost & Sullivan analysis

## INDUSTRY OVERVIEW

### Androgenetic Alopecia

Androgenetic alopecia is a common form of scalp hair loss. It is characterized by progressive hair loss, usually in a pattern distribution. The onset may be at any age after puberty and the frequency increases with age. The prevalence of androgenetic alopecia in China reached 135.5 million in 2021, of which 78.9% was male. The prevalence of androgenetic alopecia in female showed a slightly higher growth rate than in male from 2017 to 2021.

#### Prevalence of Androgenetic Alopecia in China, 2017-2030E



Source: Frost & Sullivan analysis



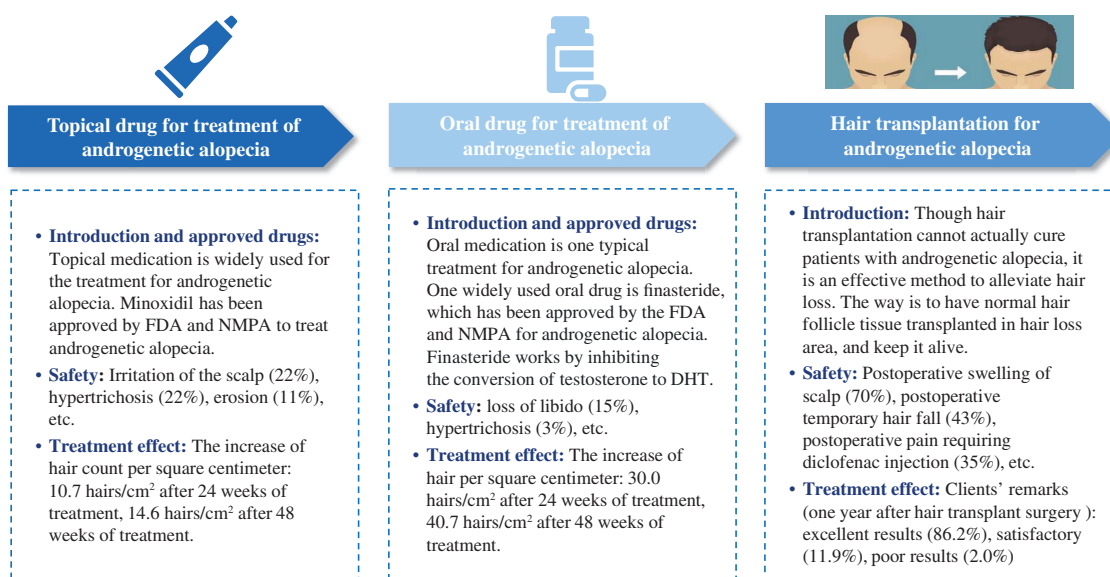
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## INDUSTRY OVERVIEW

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### *Current Treatment Paradigm and Unmet Medical Needs*

Typical treatment of androgenetic alopecia includes drug treatment and hair transplant. There are mainly two dosage forms for drug treatments, namely topical dosage form drug and oral dosage form drug. Each dosage form currently has one approved drug to treat male androgenetic alopecia in China, namely finasteride (oral drug) and minoxidil (topical drug). Among the two forms of drugs, topical medications are more acceptable to patients because the risk of causing side effects is relatively lower. The following charts set forth the current treatment paradigm for androgenetic alopecia:



Source: Frost & Sullivan analysis

### *Alternative Solutions*

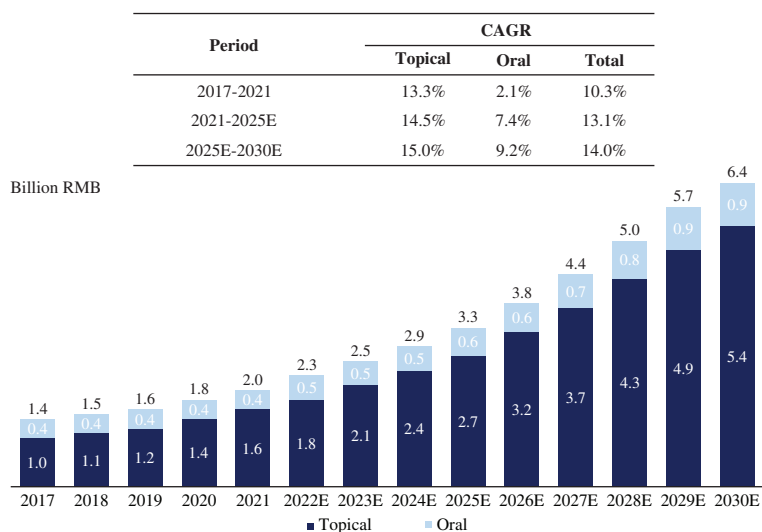
Topical treatments with novel mechanism of action are applied to the affected area of the skin surface, where medications highly concentrate and gradually diffuse through multiple skin layers before reaching circulation system. In contrast, medications are primarily delivered into systemic blood circulation and widely distributed in different organs non-selectively via traditional drug administration routes, including intravenous administration and oral administration. As a result, topical drugs could directly target hair follicles, deliver drug substances more selectively to specific sites with much lower drug concentration in systemic circulation to potentially reduce the risks of complications brought by the systemic drug exposure, such as sexual dysfunction and depression associated with oral finasteride, thus suggesting an potentially alternative solution for androgenetic alopecia.

## INDUSTRY OVERVIEW

### Market Size

The following figure sets forth the historical and projected market size of androgenetic alopecia in China:

#### Market Size of Drugs Approved for Androgenetic Alopecia in China, 2017-2030E



Source: Frost & Sullivan analysis

### Competitive Landscape

The following table shows the competitive landscape of the approved drugs for androgenetic alopecia in China:

Drugs	Dosage Form	Administration Route	RLD Holder/ First Approved Company	Indications	First Approval Date	OTC/Rx	Number of Products (Generics/ Total)	Costs per Treatment Course (RMB)	National Medical Insurance
Minoxidil	Spray	Topical	Jewim Pharmaceutical	Androgenic alopecia	2011/1	Rx	1/1	1,242	No
	Gel	Topical	Bausch+Lomb	Androgenic alopecia	2005/1	OTC	1/1	1,368	No
	Liniment	Topical	Ante Bio-pharmaceutical	Androgenic alopecia	2002/1	OTC	2/2	709	No
	Tincture	Topical	Wansheng Pharmaceutical	Androgenic alopecia	2001/1	OTC and Rx	2/2	680	No
Finasteride	Tablet	Oral	Merck Sharp & Dohme	Male androgenic alopecia	2004/1	Rx	7/8	961	Yes
Cyproterone	Tablet	Oral	Bayer	Severe androgenic alopecia in females	1990/12	Rx	2/2	1,975	Yes

Notes:

- Information as of March 4, 2023. Treatment costs are based on the bidding price.

## INDUSTRY OVERVIEW

2. CUP-MNDE, the topical minoxidil spray developed by Bailleul, has not been approved by the NMPA. Cutia distributed CUP-MNDE through third-party cross-border e-commerce platforms as an overseas product. CUP-MNDE is not included in China's national medical insurance list. Cost per treatment course of CUP-MNDE is around RMB1,080.
3. Finasteride for benign prostatic hyperplasia treatment is excluded.
4. Cost per treatment course refers to the median price of drugs including all generic drugs and original drugs. It is the sum of medical insurance reimbursement and personal expenditure. The bidding price of drugs is divided by the net content to get the price per unit of drugs. This price is multiplied by the daily dosage guided by the instruction and then multiplied by the number of days of treatment specified in the instruction to get cost per treatment course.

Source: NMPA, Frost & Sullivan analysis

The following table shows the competitive landscape of drugs for androgenetic alopecia under clinical trials in China:

Drugs	Company	Active Ingredients	Indications	Dosage Form	Administration Route	Phase	Date First Posted	Drug Types
Minoxidil topical solution	Jiangsu Chenpai Bond	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/12	Generic drug
Minoxidil topical solution	Gansu Xifeng	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/10	Generic drug
Minoxidil topical solution	Zhejiang Dingtai	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/9	Generic drug
Minoxidil topical solution	Anhui Pioneer	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/8	Generic drug
Minoxidil topical solution	Zhongshan Wanhan	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/7	Generic drug
Minoxidil topical solution	Zhejiang Vanguard	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/6	Generic drug
Minoxidil topical solution	Tianjin Chenguang	Minoxidil	Androgenetic alopecia	Topical solution	Topical	ANDA	2022/6	Generic drug
Minoxidil liniment	Zhejiang Saimo	Minoxidil	Androgenetic alopecia	Liniment	Topical	ANDA	2022/3	Generic drug
Minoxidil tincture	Jiangsu Kanion	Minoxidil	Androgenetic alopecia	Tincture	Topical	ANDA	2021/3	Generic drug
KX-826	Kintor/Koshine	Pyrilutamide (small molecule AR antagonist)	Androgenetic alopecia	Tincture/gel	Topical	III	2021/11	New drug
CU-40102	CUTIA	Finasteride (5- $\alpha$ reductase inhibitors)	Androgenetic alopecia	Spray	Topical	III	2021/10	New drug
CU-40101	CUTIA	Thyroid hormone receptor agonist	Androgenetic alopecia	Liniment	Topical	I	2022/04	New drug
GT20029	Kintor	Topical AR-PROTAC	Androgenetic alopecia Acne vulgaris	Tincture/gel	Topical	I	2021/6	New drug
CU-40104	CUTIA	Dutasteride (5- $\alpha$ reductase inhibitors)	Androgenetic alopecia	Topical agent	Topical	Pre-clinical	N/A	New drug

Note: Information as of January 30, 2023. CU-40103 is under pre-clinical trial stage.

Source: CDE, Frost & Sullivan analysis

# INDUSTRY OVERVIEW

## SKIN DISEASES AND CARE MARKET

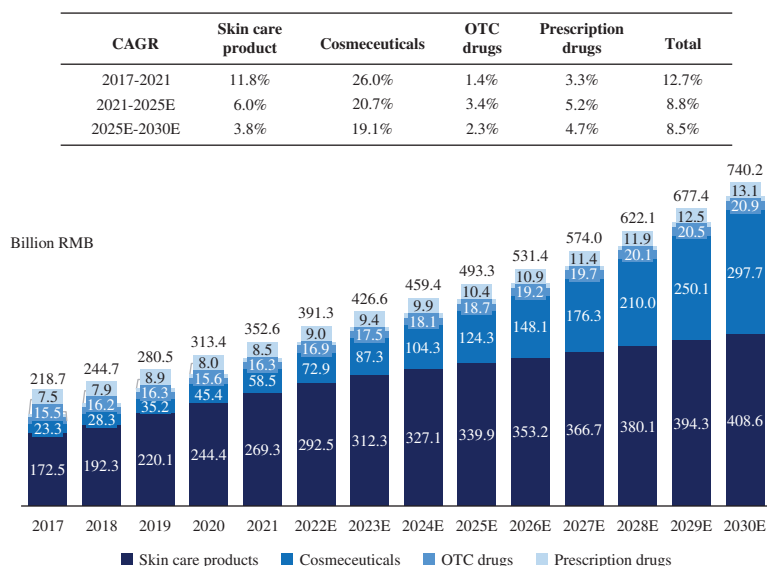
### Skin Diseases and Care Overview

Skin diseases are mainly originated from malfunction, infection, allergy or genetic aberrations of skin and its appendages, such as acne vulgaris, atopic dermatitis, psoriasis and others. Skin diseases affect patients' quality of life physically, socially and psychologically.

#### Market Size

The following chart shows the size of skin diseases and care market in China:

**Size of Skin Diseases and Care Market in China, 2017-2030E**



Source: Frost & Sullivan analysis

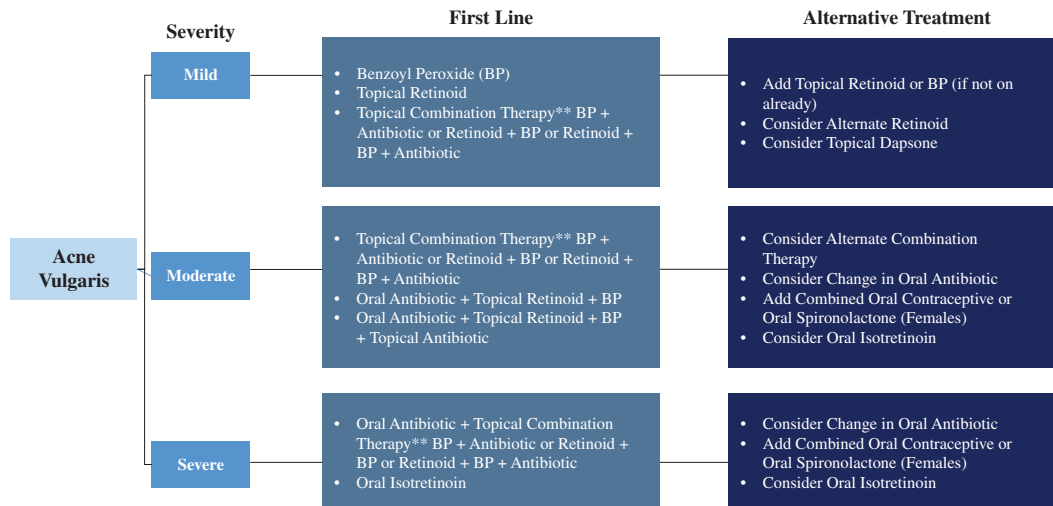
### Acne Vulgaris

Acne vulgaris is a chronic inflammatory skin condition notable for open or closed comedones and inflammatory lesions, including papules, pustules and nodules. Acne vulgaris is a common disease, especially in adolescents and young adults. It can cause physical and psychological morbidity, such as permanent scarring, poor self-image and depression.

## INDUSTRY OVERVIEW

### Current Treatment Paradigm and Unmet Clinical Needs

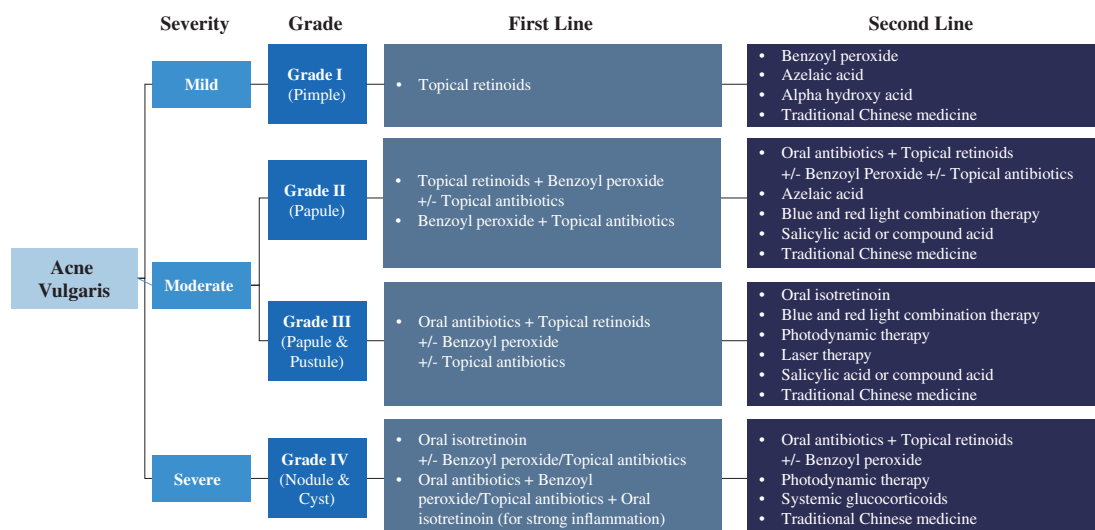
The following sets forth the treatment algorithm of acne vulgaris as recommended by international national guidelines:



Note: \*\* means that the drug is available as a fixed combination product or as a stand-alone ingredient.

Source: *Guidelines of Care for the Management of Acne Vulgaris (J AM ACAD DERMATOL, 2016), Frost & Sullivan analysis*

The following sets forth the treatment algorithm of acne vulgaris as recommended by China's national guidelines:



Note: For oral antibiotics, tetracyclines including minocycline and doxycycline are recommended by China's national guidelines. When tetracyclines are contraindicated or cannot be tolerated, macrolides such as erythromycin, roxithromycin and azithromycin, or sulfamethoxazole and trimethoprim combination can be used instead.

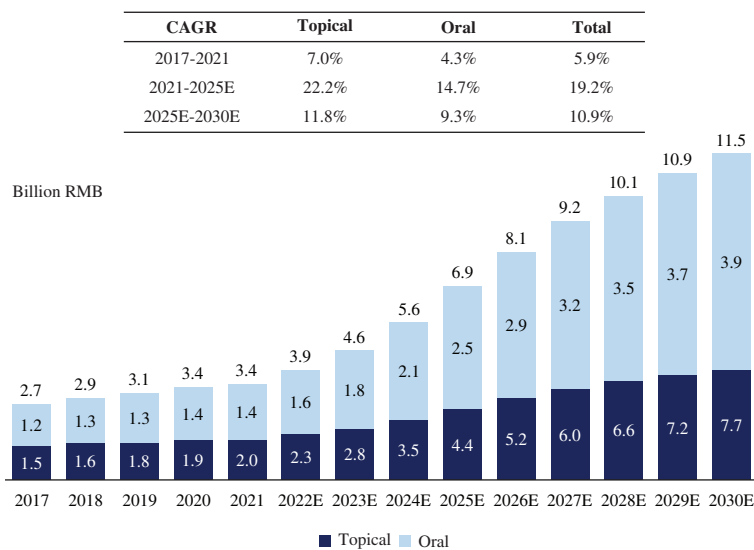
Source: *Chinese Guidelines for the Management of Acne Vulgaris (2019), Frost & Sullivan analysis*

## INDUSTRY OVERVIEW

Acne vulgaris can be classified as mild, moderate or severe depending on its severity. Topical medications can be used as long as acne is present. Mild acne and moderate acne with papules can be treated with a combination of topical medications, such as topical retinoids, benzoyl peroxide and topical antibiotics. When pustules, nodules or cysts are present, moderate acne and severe acne can be treated with systemic and topical medications plus physical and chemical therapies. Supplements are not included in China's national guidelines for acne treatment. Substantially all patients with acne vulgaris should be treated with drugs such as antibiotics, retinoid and benzoyl peroxide instead of supplements.

The prevalence of acne vulgaris in China has increased from 118.5 million in 2017 to 120.5 million in 2021, and is expected to reach 123.1 million by 2030, showing a gradual upward trend. The market size of acne vulgaris has been increasing with the increase of prevalence rate for many years, and has further increased significantly recent years with the emergence of retinoic acid derivatives such as adapalene. In addition, the demand for less irritating drugs and approval of innovative drugs to treat acne are expected to stimulate the growth of the market in the future. The following chart shows the historical and projected market size of acne vulgaris treatment in China:

### Market Size of Acne Vulgaris Treatment in China, 2017-2030E



*Note:* The market size of acne vulgaris treatment is estimated to grow as indicated because: (i) a number of acne vulgaris medications are expected to be approved in China, in particular, from 2023 to 2025; (ii) the patients need acne vulgaris treatment are estimated to grow continuously; and (iii) demand for less irritating drugs and approval of innovative drugs to treat acne vulgaris are expected to stimulate the growth of the market.

*Source:* Frost & Sullivan analysis

## INDUSTRY OVERVIEW

The following table sets forth approved topical acne vulgaris drugs in China.

Drugs	Dosage Form	RLD Holder/ First Approved Company	First Approval Date	OTC/Rx	Number of Products (Generics/ Total)	Costs per Treatment Course (RMB)	National Medical Insurance	Administration Route
Clindamycin Phosphate and Benzoyl Peroxide	Gel	GSK	2019/9	Rx	0/1	/	No	Topical
Viaminate and Vitamin E	Gel	China Traditional Chinese Medicine	2019/5	Rx	1/1	/	No	Topical
	Cream	Wu Zhoutong	2006/6	Rx and OTC	14/14	8.8	No	Topical
Erythromycin and Zinc Acetate	Ointment	Tian Cheng	2019/1	Rx	1/1	/	No	Topical
	Gel	Shionogi	2008/9	Rx	1/1	/	No	Topical
Clindamycin Phosphate	Topical Solution	Daphne	2018/11	OTC	5/5	26.8	No	Topical
	Gel	Suzhou No. 4 Pharmaceutical Factory	1997/1	OTC	13/13	25.0	No	Topical
Fusidate	Ointment	Haisco	2017/12	Rx	1/1	38.7	Yes	Topical
	Cream	Leo Pharmaceutical Products	1999/10	Rx	1/2	28.9	Yes	Topical
Isotretinoin Erythromycin	Gel	Sinopharm Wuhan Zhong Lian SiYao	2008/1	Rx	1/1	25.5	No	Topical
Isotretinoin	Gel	Harbin Dazhong	2005/1	Rx	1/1	41.3	Yes	Topical
Nadifloxacin	Cream	Yabang Qiangsheng	2005/1	Rx	3/3	28.5	No	Topical
Clindamycin Hydrochloride	Gel	Golden Sun	2004/1	OTC	1/1	11.9	No	Topical
Azelaic Acid	Cream	Conba	2003/1	Rx	1/1	/	No	Topical
Compound Indometacin	Tincture	Sunflower	2002/1	Rx	1/1	65.0	No	Topical
Tazarotene	Cream	Huapont	2001/1	Rx	1/1	27.1	Yes	Topical
Metronidazole	Gel	Galderma	1998/1	OTC	5/5	48.6	Yes	Topical
Adapalene	Gel	Galderma	1998/1	OTC	9/10	38.6	Yes	Topical
Clindamycin Hydrochloride Metronidazole	Liniment	Dihon	1996/1	Rx and OTC	7/7	25.0	No	Topical
Metronidazole	Cream	Xingao	1996/1	Rx	3/3	4.2	No	Topical
Zinc Oxide and Sulfur Sublimite	Ointment	Zhongzhou	1995/1	OTC	1/1	344.8	No	Topical
Benzoyl Peroxide	Cream	General	1995/1	OTC	4/4	7.6	Yes	Topical
Chlorhexidine Gluconate	Ointment	Hengjian	1994/1	OTC	4/4	18.4	No	Topical
Lincomycin Hydrochloride and Vitamin B6	Cream	Shouxin	1994/1	Rx	7/7	18.4	No	Topical
Benzoyl Peroxide	Gel	Humanwell Chengtian	1994/1	OTC	6/7	22.5	Yes	Topical
Tretinoin	Cream	General	1993/1	Rx	24/24	8.5	Yes	Topical
Compound Sulfur	Cream	Shanghai Zhonghua	1992/1	OTC	5/5	19.6	No	Topical
Vitamin B6	Ointment	King York	1981/1	OTC	6/6	5.4	No	Topical
Erythromycin	Ointment	King York	1981/1	OTC	54/54	4.3	Yes	Topical

*Note:* Information as of January 30, 2023. Treatment costs are based on the bidding price.

*Source:* NMPA, Frost & Sullivan analysis

## INDUSTRY OVERVIEW

The following table sets forth topical acne vulgaris drugs under clinical trials in China.

Drug Name	Company	Indications	Active Ingredients	Phase	Dosage Form	Administration Route	First Posted Date	Drug Types
Fusidic Acid Cream	Gansu Xifeng	Skin infections including acne vulgaris	Fusidic acid (antibiotic)	ANDA	Cream	Topical	2023/1	Generic drug
Clindamycin Phosphate Topical Solution	Sinomune	Acne vulgaris	Clindamycin (antibiotic)	ANDA	Topical solution	Topical	2023/1	Generic drug
Tretinoin and Benzoyl Peroxide Gel	Galderma	Acne vulgaris	Tretinoin and benzoyl peroxide (retinoid and benzoyl peroxide combination)	NDA	Gel	Topical	2023/1	New drug
Fusidic Acid Cream	Foyou	Skin infections including acne vulgaris	Fusidic acid (antibiotic)	ANDA	Cream	Topical	2022/8	Generic drug
Adapalene + Clindamycin Gel	Zhaoke	Moderate acne vulgaris	Adapalene and clindamycin (retinoid and antibiotic combination)	NDA	Gel	Topical	2021/2	New drug
CU-10201	Cutia	Moderate to severe acne vulgaris	Minocycline (antibiotic)	III	Foam	Topical	2021/6	New drug
Aminolevulinic Acid Hydrochloride Topical Powder	Fudan-Zhangjiang	Combined with photodynamic therapy to treat moderate to severe acne vulgaris	Aminolevulinic acid hydrochloride (photosensitizing precursor)	II	Powder	Topical	2021/12	New drug
Tazarotene Clindamycin Phosphate Cream	Sinomune	Moderate acne vulgaris	Tazarotene and clindamycin (retinoid and antibiotic combination)	II	Cream	Topical	2021/1	New drug
KX-826	Kintor/Koshine	Mild to moderate acne vulgaris	Pyrilutamide (small molecule AR antagonist)	I/II	Gel	Topical	2021/3	New drug
GT20029	Kintor	Androgenic alopecia, acne vulgaris	Topical AR-PROTAC	I	Gel/tincture	Topical	2021/6	New drug
Ibuprofen Piconol Cream	Bestcomm	Eczema, contact dermatitis, atopic dermatitis, perioral dermatitis, herpes zoster, acne vulgaris	Ibuprofen piconol (non-steroidal anti-inflammatory drug)	I	Cream	Topical	2018/11	Generic drug

*Note:* Information as of January 30, 2023.

*Source:* CDE, Frost & Sullivan analysis

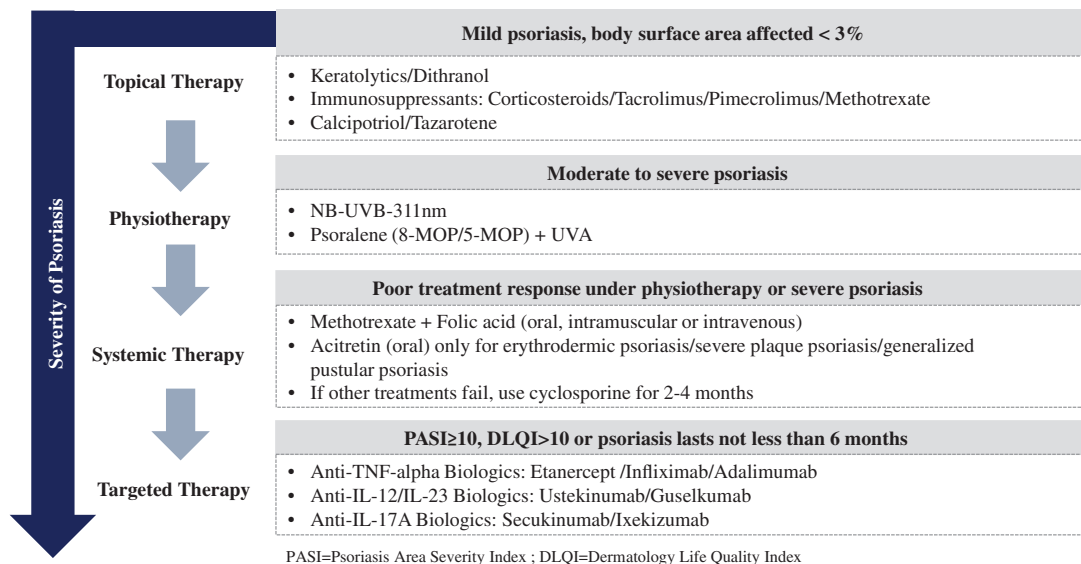
### Psoriasis

Psoriasis is a common chronic skin condition that speeds up the life cycle of skin cells. A variety of factors could trigger an episode of psoriasis, such as emotional stress, smoking, heavy alcohol consumption, vitamin D deficiency, injury and streptococcal infection, as well as some abnormality in the immune system.



## INDUSTRY OVERVIEW

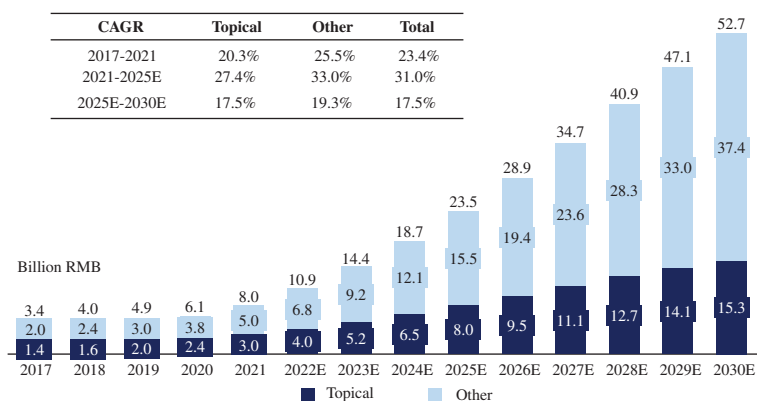
The following chart shows the treatment algorithm of psoriasis in China as recommended by China's national guidelines:



Source: Literature Review, Frost & Sullivan analysis

The prevalence of psoriasis in China has increased from 6.5 million in 2017 to 6.7 million in 2021, and is expected to reach 6.9 million by 2030, showing a gradual upward trend. The following sets forth the market size of psoriasis treatment in China:

### Market Size of Psoriasis Treatment in China, 2017-2030E



*Note:* The market size of psoriasis treatment is estimated to grow as indicated because: (i) a number of psoriasis medications are expected to be approved in China; (ii) the patients need psoriasis treatment are estimated to grow continuously; and (iii) demand for less irritating drugs and approval of innovative drugs to treat psoriasis are expected to stimulate the growth of the market.

Source: Frost & Sullivan analysis

## INDUSTRY OVERVIEW

The following table sets forth approved topical medications for the treatment of psoriasis in China:

Drugs	Dosage Form	RLD Holder/First Approved Company	First Approval Date	OTC/Rx	Number of Products (Generics/Total)	Costs per Treatment Course (RMB)	National Medical Insurance	Administration Route
Fluocinonide	Ointment	Nanjing Chang'ao Pharma	2020/6	Rx	1/1	9.5	No	Topical
	Cream	King York	1981/1	Rx	53/53	71.3	No	Topical
Benvitimod	Cream	Zhonghao Pharmaceutical Tianji Pharma	2019/5	Rx	0/1	2,318.4	Yes	Topical
Calcipotriol and Betamethasone Dipropionate	Gel	LEO Pharma	2015/6	Rx	0/1	621.5	Yes	Topical
Tazarotene and Betamethasone Dipropionate	Cream	Huapont Pharmaceutical	2015/3	Rx	1/1	536.7	Yes	Topical
Compound Flumetasone	Ointment	Bright Future	2014/12	Rx	0/1	68.3	No	Topical
Calcipotriol	Ointment	Huapont Pharmaceutical	2011/12	Rx	3/4	219.7	Yes	Topical
Dithranol	Wax Stick	Ansheng Fenghuang Pharmaceutical	2007/1	Rx	1/1	347.1	No	Topical
	Ointment	Wuhan Aimin Pharmaceutical	1990/1	Rx	12/12	246.4	Yes	Topical
Tazarotene	Cream	Huapont Pharmaceutical	2004/1	Rx	1/1	50.6	Yes	Topical
Halometasone	Cream	Novartis AG	1999/1	Rx	3/4	102.5	Yes	Topical
Tacalcitol	Ointment	Teijin Pharma	1997/7	Rx	1/2	218.0	Yes	Topical
Borreol Camphor Eucalyptus Oil and Fluocinonide	Paste	Henan Lingrui Pharma	1996/1	Rx	2/2	/	No	Topical
Compound Fluocinonide	Tincture	Hongxing Pharmaceutical	1995/1	Rx	25/25	131.6	No	Topical
Tretinoin	Cream	General Pharmaceutical	1993/1	Rx	24/24	31.7	Yes	Topical
Clobetasol Propionate	Cream	Cr. Shunfeng Pharmaceutical	1988/1	Rx	20/20	25.2	Yes	Topical
Halcinonide	Solution	Tianjiao Pharma	1985/1	Rx	22/22	389.2	Yes	Topical
	Ointment	King York	1985/1	Rx	10/10	5.5	Yes	Topical
	Cream	King York	1985/1	Rx	22/22	47.6	Yes	Topical
Beclometasone Dipropionate	Cream	King York	1982/1	Rx	18/18	17.4	Yes	Topical
Fluocinonide Acetate and Borneol	Cream	King York	1981/1	Rx	10/10	136.9	No	Topical
Triamcinolone Acetonide and Neomycin	Paste	Yangling Biotechnology	1985/1	Rx	20/20	/	No	Topical

*Note:* Information as of January 30, 2023. Treatment costs are based on the bidding price.

*Source:* NMPA, Frost & Sullivan analysis

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## INDUSTRY OVERVIEW

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The following table sets forth topical psoriasis drugs under clinical trials in China:

Drugs	Category	Company	Indications	Administration Route	Phase	First Posted Date	Drug Types
CKBA Ointment	Th17 Regulator	Botany/Sincere	Plaque Psoriasis	Topical	II	2022/3	New drug
Icotinib Cream	EGFR Inhibitor	Betta Pharmaceutical	Mild to Moderate Psoriasis	Topical	II	2017/7	New drug
MH080 Cream	N/A	Minghui/AustarPharma	Plaque Psoriasis	Topical	I/II	2022/10	New drug
LNK01004 Ointment	JAK Inhibitor	Lynk Pharmaceuticals	Mild to Moderate Plaque Psoriasis	Topical	I	2022/7	New drug
HLK-6002 Ointment	N/A	Shenzhen Yaoxin	Plaque Psoriasis	Topical	I	2022/5	New drug
HY1770 Cream	IL-4R Inhibitor	Pharmavan	Plaque Psoriasis	Topical	I	2021/11	New drug
QY101 Ointment	PDE4 Inhibitor	E-nitiata	Psoriasis	Topical	IND approval	2022/9	New drug
Tazarotene + Clobetasol Ointment	Retinoids + Corticosteroids	Defeng	Plaque Psoriasis	Topical	IND approval	2019/4	New drug

*Note:* Information as of January 30, 2023. CU-10401 is under pre-clinical trial stage.

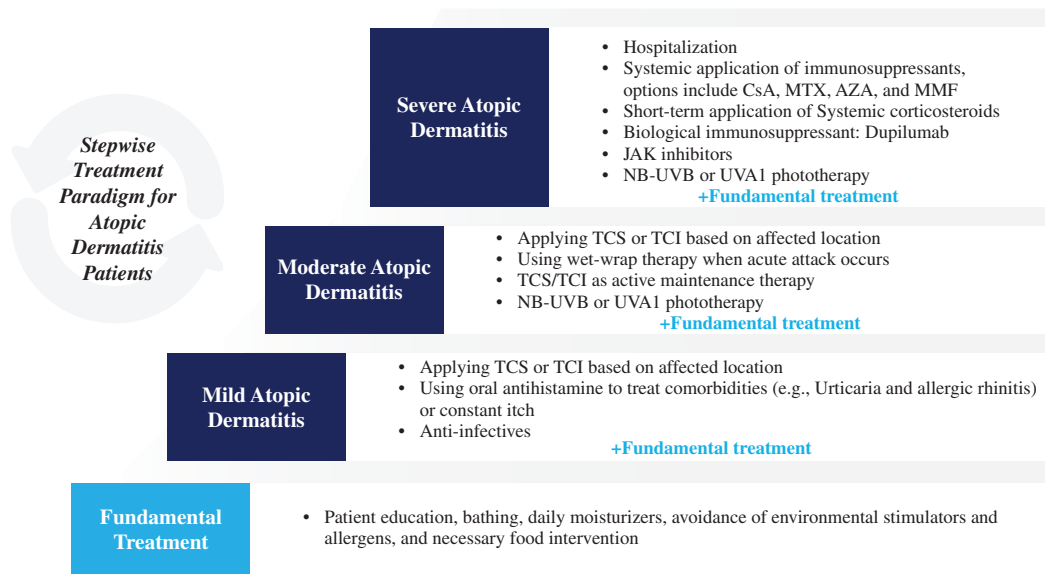
*Source:* CDE, Frost & Sullivan analysis

### Atopic Dermatitis

Atopic dermatitis offers a wide clinical spectrum ranging from minor forms such as pityriasis alba (dry depigmented patches) or hand eczema to major forms with erythrodermic rash. Pruritus and chronic or relapsing eczematous lesions with typical shape and distribution are essential for diagnosis. A multiplicity of factors, including skin barrier abnormalities, defects in innate immunity response, Th2-skewed adaptive immune response, and altered skin resident microbial flora are involved in the pathogenesis of atopic dermatitis.

## INDUSTRY OVERVIEW

The following chart sets forth the treatment algorithm of atopic dermatitis as recommended by the national guidelines:



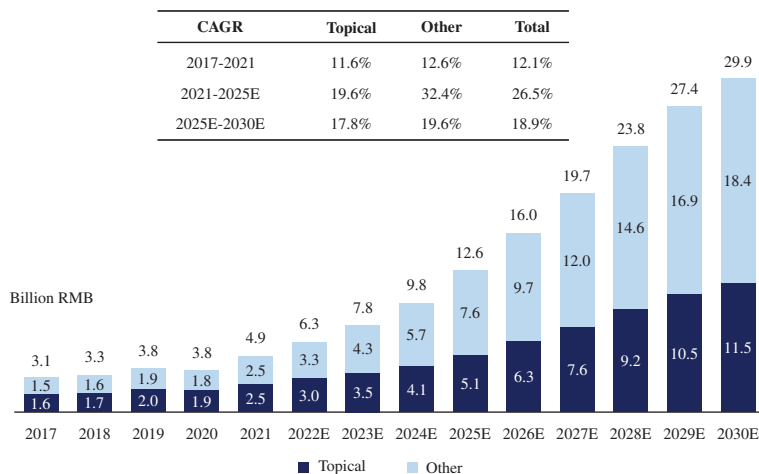
*Notes: CsA: cyclosporine A; MTX: methotrexate; AZA: azathioprine; MMF: mycophenolate mofetil; TCS: topical corticosteroids; TCI: topical calcineurin inhibitors*

*Source: Chinese Society of Dermatology, Frost & Sullivan analysis*

## INDUSTRY OVERVIEW

The prevalence of atopic dermatitis in China has increased from 62.4 million in 2017 to 69.1 million in 2021 and is expected to reach 81.7 million by 2030, showing a gradual upward trend. The following chart shows the market size of atopic dermatitis treatment by dosage forms in China:

**Market Size of Atopic Dermatitis Treatment in China, 2017-2030E**



*Note:* Other dosage forms include systemic administration and subcutaneous injection.

The market size of atopic dermatitis treatment is estimated to grow as indicated because: (i) a number of atopic dermatitis medications are expected to be approved in China; (ii) the patients need atopic dermatitis treatment are estimated to grow continuously; and (iii) demand for less irritating drugs and approval of innovative drugs to treat atopic dermatitis are expected to stimulate the growth of the market.

*Source:* Frost & Sullivan analysis

## INDUSTRY OVERVIEW

The following table sets forth approved topical medications for the treatment of atopic dermatitis in China:

Drugs	Dosage Form	R/D Holder/ First Approved Company	First Approval Date	OTC/Rx	Number of Products (Generics/Total)	Costs per Treatment Course (RMB)	National Medical Insurance	Administration Route
Crisaborole	Ointment	Anacor Pharma/Pfizer/Pharmacia and Upjohn	2020/7/29	Rx	0/1	840.0	Yes	Topical
Clobetasone Butyrate	Cream	GlaxoSmithKline/GSK-China	2011/5/5	Rx	1/2	190.4	No	Topical
Mometasone Furoate	Gel	Zhejiang Xianju Pharma	2008/1/1	Rx	3/3	140.0	Yes	Topical
	Cream	Bayer AG/Shanghai New Asiatic Medicine Industry	1999/1/1	OTC/Rx	9/9	56.0	Yes	Topical
Desonide	Cream	Chongqing Huapont Pharma	2006/1/1	Rx	1/1	117.6	Yes	Topical
Pimecrolimus	Cream	Novartis AG Meda AB	2005/9/29	Rx	1/2	3,333.7	Yes	Topical
Compound Flumetasone	Ointment	Bright Future Pharma	2005/4/12	Rx	1/1	67.2	No	Topical
Tacrolimus	Ointment	Astellas Pharma LEO Pharma	2004/11/17	Rx	9/10	3,352.2	Yes	Topical
Fluticasone Propionate	Ointment	GlaxoSmithKline	2000/6/16	Rx	5/6	128.8	Yes	Topical
Doxepin Hydrochloride	Cream	Tasly New resources Pharma	2000/1/1	Rx	2/2	12.6	Yes	Topical
Halometasone	Cream	Novartis AG	1999/1/1	Rx	3/4	50.4	Yes	Topical
Borneol Camphor Eucalyptus Oil and Fluocinonide	Patch	Henan Lingrui Pharma	1996/1/1	Rx	2/2	/	No	Topical
Zinc Oxide	Oil	Beijing Twinluck Pharma	1996/1/1	OTC/Rx	1/1	/	Yes	Topical
Halcinonide	Film	King York	1991/1/1	Rx	1/1	22.3	No	Topical
	Cream	King York	1985/1/1	Rx	22/22	47.6	Yes	Topical
	Ointment	King York	1985/1/1	Rx	10/10	5.5	Yes	Topical
	Solution	Tianjiao Pharma	1985/1/1	Rx	22/22	77.8	Yes	Topical
Vitamin B6 and Fluocinonide	Cream	Hunan Tianlong Pharma	1984/1/1	OTC	7/7	58.8	No	Topical
Fluocinonide	Ointment	Nanjing Chang'ao Phar	1982/1/1	Rx	1/1	11.2	No	Topical
	Cream	King York	1981/1/1	Rx	53/53	61.6	No	Topical
Fluocinonide Acetate and Borneol	Cream	King York	1981/1/1	Rx	10/10	136.9	No	Topical
Triamcinolone Acetonide Acetate	Cream	King York	1981/1/1	Rx	22/22	92.4	Yes	Topical

*Note:* Information as of January 30, 2023. Treatment costs are calculated according to bid price.

*Source:* NMPA, Frost & Sullivan analysis

## INDUSTRY OVERVIEW

The following table sets forth topical medications under clinical trial studies for the treatment of atopic dermatitis in China:

Drugs	Category	Company	Indications	Administration Route	Phase	First Posted Date	Drug Types
Diflucortolone Valerate Cream	Corticosteroids	King York	Atopic Dermatitis, Ulcers, Psoriasis, Burns, Dermatitis, Eczema, etc.	Topical	ANDA	2020/12	Generic drug
Difamilast (OPA-15406) Ointment	PDE4 Inhibitor	Otsuka	Atopic Dermatitis	Topical	III	2022/12	New drug
Jaktinib Hydrochloride Cream	JAK Inhibitor	Zelgen	Atopic Dermatitis	Topical	III	2022/6	New drug
Benvitimod Cream	Aryl Hydrocarbon Receptor Agonist	Zhonghao/Shenzhen Tianji	Mild to Moderate Atopic Dermatitis	Topical	III	2022/6	New drug
Ivamacitinib (SHR0302) Ointment	JAK Inhibitor	Reistone/Jiangsu Hengrui	Atopic Dermatitis	Topical	III	2020/12	New drug
Diflucortolone cream	Corticosteroids	Tianjin Pharmaceuticals Research Organization	Atopic Dermatitis, Psoriasis, Lichen Planus, Contact Dermatitis, etc.	Topical	III	2019/3	Generic drug
Fusidic acid-Betamethasone Cream	Antibiotic + Corticosteroids	LEO	Clinical Infectious Atopic Dermatitis, Eczema	Topical	III	2018/7	Generic drug
HY-072808 Ointment	PDE4 Inhibitor	Hefei Pharma Tech	Atopic Dermatitis	Topical	II	2022/8	New drug
PG-011 Gel	JAK Inhibitor	Beijing Puqi Pharma	Atopic Dermatitis	Topical	II	2021/4	New drug
Hemay028 Ointment	PDE4 Inhibitor	Tianjin Hemay	Atopic Dermatitis	Topical	II	2020/3	New drug
MH004 Cream	N/A	Minghui Pharma	Atopic Dermatitis	Topical	I/II	2022/1	New drug
QY101 Ointment	PDE4 Inhibitor	E-nitiate	Atopic Dermatitis	Topical	I	2022/6	New drug
MDI-1228_Mesyate Gel	JAK Inhibitor	Henan Meiyinnuo	Atopic Dermatitis	Topical	I	2022/5	New drug
Pimeprofen Cream	Nonsteroidal Anti-inflammatory	Shandong Bestcomm/Shantou Special Economic Zone TuobinPharma	Atopic Dermatitis, Acute Eczema, Contact Dermatitis, Rosacea, Acne Vulgaris, etc.	Topical	I	2018/11	Generic drug
HY1770 Cream	IL-4R Inhibitor	Pharmavan	Atopic Dermatitis	Topical	IND approval	2023/1	New drug
QY211 Gel	JAK Inhibitor	E-nitiate	Atopic Dermatitis	Topical	IND approval	2022/11	New drug
TUL01101 Ointment	JAK Inhibitor	Zhuhai United	Atopic Dermatitis	Topical	IND approval	2022/11	New drug
FZJ-003 Gel	JAK Inhibitor	Fudan-Zhangjiang	Atopic Dermatitis	Topical	IND approval	2022/9	New drug
LNK01004 Ointment	Kinase inhibitor	Lynk Pharmaceuticals	Atopic Dermatitis	Topical	IND approval	2022/7	New drug
JK0002 Cream	N/A	Shenzhen Jiake	Atopic Dermatitis	Topical	IND approval	2022/3	New drug

*Note:* Information as of January 30, 2023. CU-10101 is under pre-clinical trial stage.

*Source:* CDE, Frost & Sullivan analysis

# INDUSTRY OVERVIEW

## TOPICAL ANESTHESIA MARKET

### Topical Anesthesia Overview

Topical anesthetics are highly penetrating local anesthetics which are sprayed or applied to skin or mucous membranes, conjunctive, and other surfaces to cause superficial loss of pain sensation. Topical anesthesia can be applied in consumption and clinical scenarios. In consumption scenarios, topical anesthetics are generally applied before superficial dermatological procedures. In clinical practices, topical anesthetics are applied before puncture procedures and operations concerning superficial tissue. In addition, it can be used as a pretreatment for infiltration anesthesia combined with other anesthetics.

### Currently Available Topical Anesthetics

The following table sets forth the efficacy, side effects, sites of administration and limitations of topical anesthetics:

Core Components	Efficacy*	Common Side Effects	Site of Administration	Occlusion after Application
<b>Lidocaine and prilocaine</b>	<ul style="list-style-type: none"> <li>67.5% of subjects reported adequate pain relief</li> <li>60.0% of subjects were willing to reuse the product</li> </ul>	<ul style="list-style-type: none"> <li>Paleness (pallor or blanching): 37%</li> <li>Erythema: 30%</li> <li>Alterations in temperature sensations: 7%</li> <li>Edema: 6%</li> <li>Itching: 2%</li> </ul>	Intact skin surface that need dermatological procedures	Needs plastic occlusion
<b>Lidocaine and tetracaine</b>	<ul style="list-style-type: none"> <li>75.0% of subjects reported adequate pain relief</li> <li>82.5% of subjects were willing to reuse the product</li> </ul>	<ul style="list-style-type: none"> <li>Erythema: 47%</li> <li>Skin discoloration (blanching, ecchymosis and purpura): 16%</li> <li>Edema: 14%</li> </ul>	Intact skin surface that need dermatological procedures	Forms a self-occlusive film when exposed to air

\* *Note:* For superficial dermatosurgical procedures after 30-minute application. Topical anesthetics with only one core component such as lidocaine gel are not included in the table because they are generally used in endoscopy, endotracheal intubation, mucosa procedures and post herpes neuralgia treatment rather than epidermal anesthesia treatment.

*Source: Literature search, FDA label, Frost & Sullivan analysis*

### Alternative Solutions

There are two approved topical anesthesia products for puncture and superficial dermatologic procedures in China and none of them is composed of tetracaine which has been tested more effective in pain relief, because subjects with lidocaine/tetracaine treatment reported significantly lesser pain score compared to subjects with lidocaine/prilocaine treatment with statistic significance. The lidocaine/tetracaine compound produces rapid and durable topical anesthesia due to the pharmacokinetics of the two components. The anesthesia produced by lidocaine is faster and more extensive. Tetracaine, a long-acting amino-ester, is more lipophilic than lidocaine, concentrating in the stratum corneum of the epidermis, where it slowly diffuses. The duration of tetracaine is thus prolonged and the systemic uptake is limited. In addition, the application of lidocaine/prilocaine cream needs plastic occlusion while lidocaine/tetracaine cream is self-occluding, which is more convenient for users. The market



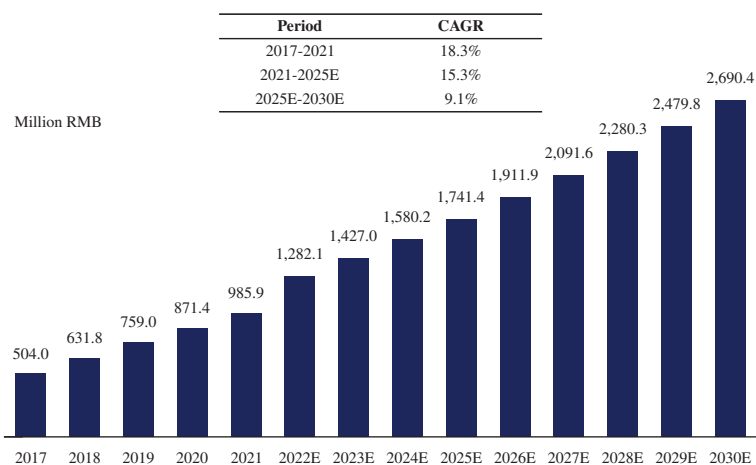
## INDUSTRY OVERVIEW

gives an opportunity for companies that develop products meeting the need for lidocaine/tetracaine topical anesthesia products. Currently, there have been two pipelines of lidocaine/tetracaine products from Liangfu Pharmaceutical and Cutia Therapeutics in ongoing clinical trials in China.

### Market Size of Topical Anesthetics in China

The following chart shows the market size of topical anesthesia products in China:

**Market Size of Topical Anesthesia Products in China, 2017-2030E**



*Note:* The size of topical anesthetics market is estimated to grow as indicated because: (i) a number of topical anesthetics are expected to be approved in China; (ii) the recognition and availability of topical anesthetics continue to improve due to their safety and ease of treatment; (iii) the population that can receive topical anesthetics continue to grow, and (iv) market penetration of topical anesthetics products increases thanks to the approval of generic products in China.

*Source: Frost & Sullivan analysis*

### Competitive Landscape of Topical Anesthetics in China

Currently, there are two topical anesthesia products approved by the NMPA as set forth below.

<b>NMPA Approved Products For Topical Anesthesia</b>									
Brand Name	Ingredient	Administration Route	Company	Approved Date	OTC/Rx	Indication	Treatment Costs	National Medical Insurance	Drug Types
<b>EMLA</b>	Lidocaine/ Prilocaine	Topical	AstraZeneca AB	1998.01	Rx	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)	RMB312.0 (for a skin area of 10 cm <sup>2</sup> )	No	New drug
<b>Compound Lidocaine Cream</b>	Lidocaine/ Prilocaine	Topical	Tongfang Pharmaceutical	2006.01	Rx	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)	RMB98.6 (for a skin area of 10 cm <sup>2</sup> )	No	Generic drug

*Note:* Only consider the topical anesthesia products for puncture and superficial dermatological procedures

*Source: NMPA, Frost & Sullivan analysis*

## INDUSTRY OVERVIEW

There are 28 topical anesthesia products under clinical trial development in China, and most of the competing products are compounds of lidocaine and prilocaine. The following table sets forth the topical anesthesia products under clinical trial in China:

Generic Name	Company	Major Indications	Product Development Stage	First Posted Date <sup>(1)</sup>	Drug Types
Lidocaine/Prilocaine	Sihuan/ Yangyankongjian	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2023/3	Generic drug
Lidocaine/Prilocaine	Hainan Hailing	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)	ANDA	2023/3	Generic drug
Lidocaine/Prilocaine	Suzhou Erye/ Nanjing Haina	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	ANDA	2023/2	Generic drug
Lidocaine/Prilocaine	Hangzhou Solipharma	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	ANDA	2023/2	Generic drug
Lidocaine/Prilocaine	Jiangsu Deyuan	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2023/1	Generic drug
Lidocaine/Prilocaine	Hunan Jiudian	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2023/1	Generic drug
Lidocaine/Prilocaine	Hainan Zicheng/ Jiangxi Decheng	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2022/10	Generic drug
Lidocaine/Prilocaine	Hebei Yadong/ Hebei Xinzhang	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2022/10	Generic drug
Lidocaine/Prilocaine	Bright Future Pharmaceutical/ Andros Pharmaceuticals	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2022/9	Generic drug
Lidocaine/Prilocaine	Zhejiang CDMO Pharmaceutical/ Fuou Pharmaceutical	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	ANDA	2022/8	Generic drug
Lidocaine/Prilocaine	C&O Pharmaceutical Technology	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia in adults and teenagers aged over 12 Local anesthesia on ulcer of lower limbs in adults	ANDA	2022/3	Generic drug

## INDUSTRY OVERVIEW

Generic Name	Company	Major Indications	Product Development Stage	First Posted Date	Drug Types
Lidocaine/Prilocaine	Zhuhai Rundu/ CBC Biotechnological & Pharmaceutical	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	ANDA	2022/2	Generic drug
Lidocaine/Prilocaine	Humanwell Healthcare	Epidermal anesthetic analgesia (for superficial surgery and puncture procedures)	ANDA	2021/12	Generic drug
Lidocaine/Prilocaine	CR.Shunfeng Pharmaceutical/ Shenzhen Yujian	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	ANDA	2021/11	Generic drug
Lidocaine/Prilocaine	Zhuhai Laicci Medical Beauty Technology/ Ruyuan HEC	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	ANDA	2021/8	Generic drug
Lidocaine/Tetracaine	Cutia Therapeutics	Epidermal anesthetic analgesia (for superficial dermatological procedures)	III <sup>(2)</sup>	2023/2	Generic drug
Lidocaine/Tetracaine	Liangfu Pharmaceutical/ Nuobote	Epidermal anesthetic analgesia (for superficial dermatological procedures)	III <sup>(2)</sup>	2023/2	Generic drug
Lidocaine/Prilocaine	Guangzhou Regenex	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	BE	2023/2	Generic drug
Lidocaine/Prilocaine	CR Double-Crane	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	BE	2023/1	Generic drug
Lidocaine/Prilocaine	Jinan Bairun	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)	BE	2023/1	Generic drug
Lidocaine/Prilocaine	Hangzhou Jingshi	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	BE	2022/12	Generic drug
Lidocaine/Prilocaine	Zhejiang Puli	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	BE	2022/11	Generic drug
Lidocaine/Prilocaine	Binhai Meikang	Topical anesthesia on normal intact skin, genital mucous membranes and ulcer of lower limbs	BE	2022/11	Generic drug

## INDUSTRY OVERVIEW

Generic Name	Company	Major Indications	Product Development Stage	First Posted Date	Drug Types
Lidocaine/Prilocaine	Zhejiang Gaozhi	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	BE	2022/9	Generic drug
Lidocaine/Prilocaine	Zhejiang Anglikang	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)	BE	2022/9	Generic drug
Lidocaine/Prilocaine	Ginposome Pharmaceutical	Epidermal anesthesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	BE	2021/11	Generic drug
Lidocaine/Prilocaine	Haisco Pharmaceutical Group	Epidermal anesthetic analgesia for superficial surgery and puncture procedures Topical anesthesia on genital mucous membranes for superficial minor surgery and as pretreatment for infiltration anesthesia	BE	2020/5	Generic drug
Lidocaine/Tetracaine	ADOH B.V/ Juyou Biotech	Epidermal anesthetic analgesia (for superficial dermatological procedures)	IND	2022/11	New drug <sup>(3)</sup>

### Notes:

- (1) Information as of March 4, 2023; the table only includes the topical anesthesia products for puncture and superficial dermatological procedures.
- (2) The generic lidocaine/tetracaine compound product under clinical trials is classified as Class 3 chemical drug in China. According to the NMPA, Class 3 chemical drug is defined as drugs manufactured by domestic applicants by imitating the original drugs that have been marketed overseas but not yet in China. For such generic products, if bioequivalence data are not available and clinical trials cannot be exempted, Phase III clinical trials of Class 3 chemical drugs are required by the CDE in China.
- (3) Lidocaine/tetracaine compound product developed by ADOH B.V/Juyou Biotech was registered as Class 5.1 chemical drug with the CDE. According to the NMPA, Class 5.1 chemical drug is defined as new drugs including original drugs and modified drugs that have been marketed overseas and are under application for being marketed in China.

Source: CDE, Frost & Sullivan analysis

## REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, we commissioned Frost & Sullivan, an Independent Third Party, to prepare a report on global and China's markets regarding localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia market. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report. We have agreed to pay a total of RMB1.05 million in fees for the preparation of the Frost & Sullivan Report. Frost & Sullivan is a market research and consulting company that provides market research on a variety of industries including healthcare. In preparing the report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports and industry association statistics, as well as market data collected by conducting interviews with key industry experts and leading industry participants. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected.

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## REGULATORY OVERVIEW

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

### REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in China are governed by the Company Law of PRC (《中華人民共和國公司法》, the “**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (the “**NPC**”) in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail. In December 2021, the draft amendment to the PRC Company Law was published for public comments by the Thirteenth Standing Committee of NPC. The amendment made systemic changes to the existing PRC Company Law. Uncertainties exist regarding the final form of these laws and regulations as well as the interpretation and implementation thereof after promulgation.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)(2021年版)》, the “**Negative List**”), which was promulgated by the Ministry of Commerce (the “**MOFCOM**”) and National Development and Reform Commission (the “**NDRC**”) in December 2021 and came into effect in January 2022. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was promulgated by the NPC in March 2019 and came into effect in January 2020. After the Foreign Investment Law came into effect, the Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as “foreign investors”) directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law, including: 1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; 2) acquiring by foreign investors of

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## REGULATORY OVERVIEW

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shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in China alone or jointly with other investors; and 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation (the “SAMR”) promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect in January 2020. After the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) have been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measure on Reporting of Foreign Investment Information.

In December 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective in January 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and procedures to review, among others.

### REGULATION ON PHARMACEUTICAL PRODUCT DEVELOPMENT, APPROVAL AND REGISTRATION

#### Drug Regulatory Regime

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “**Drug Administration Law**”) was promulgated by the Standing Committee of the NPC, in September 1984. The last two amendments to the Drug Administration Law were the amendments promulgated in April 2015 and in August 2019. The Regulations for the Implementation of the Drug Administration Law (《藥品管理法實施條例》) was promulgated by the State Council in August 2002, and was last amended in March 2019. The Drug Administration Law and the

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## REGULATORY OVERVIEW

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Regulations for the Implementation of the Drug Administration Law have jointly established the legal framework for the administration of pharmaceutical products in China, including the research, development and manufacturing of drugs. The Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products, which regulates and provides for a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law, at the same time, provide the detailed implementation regulations for the Drug Administration Law.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Committee of China Communist Party jointly issued an Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (the “**Innovation Opinions**”) in October 2017. The expedited programs, the record-filing system, the prioritized review mechanism, the acceptance of foreign clinical data under the Innovation Opinions and other recent reforms encourage drug manufacturers to seek marketing approval in China first in order to develop drugs in highly prioritized therapeutical areas, such as oncology or rare disease areas.

To implement the regulatory reform introduced by Innovation Opinions, the Standing Committee of the NPC, the National Medical Products Administration (the “**NMPA**”), a newly formed government authority as well as other authorities, are currently responsible for revising the laws, regulations and rules regulating the pharmaceutical products and the industry.

In August 2019, the Standing Committee of the NPC promulgated the new Drug Administration Law (the “**2019 Amendment**”), which came into effect in December 2019. The 2019 Amendment contains many of the major reform initiatives implemented by the Chinese government since 2015, including but not limited to the marketing authorization holder system (the “**MAH System**”), conditional approvals of drugs, traceability system of drugs, and the cancelation of relevant certification according to the Good Manufacturing Practice and the Good Supply Practice.

### **Regulatory Authorities**

Pharmaceutical products, medical devices and equipment in China are monitored and supervised on a national scale by the NMPA. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The NMPA was newly formed under the SAMR. The NMPA’s predecessor, the State Drug Administration (the “**SDA**”), was replaced by the State Food and Drug Administration (the “**SFDA**”), which was later reorganized into the China Food and Drug Administration (the “**CFDA**”) as part of the institutional reforms implemented by the State Council.

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## REGULATORY OVERVIEW

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The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as cosmetics in the PRC;
- formulating administrative rules and policies concerning the supervision and administration of the pharmaceutical, medical devices and cosmetics industry;
- evaluating, registering and approving of traditional Chinese medicine, chemical drugs and biological products;
- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment;
- approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products;
- examining and evaluating the safety of pharmaceutical products, medical devices and cosmetics; and
- managing the significant accidents involving the pharmaceutical products, medical devices and cosmetics.

In 2013, the Ministry of Health (the “MOH”) and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC (the “NHFPC”). In March 2018, the First Session of the Thirteenth NPC approved the State Council Institutional Reform Proposal (《國務院機構改革方案》), according to which, the responsibilities of NHFPC and certain other governmental authorities are consolidated into the National Health Commission (the “NHC”), and the NHFPC shall no longer be reserved. The responsibilities of the NHC include organizing the formulation of national drug policies, the national essential drug system and the National Essential Drug List and drafting the administrative rules for the procurement, distribution and use of national essential drugs.

According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (《國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定》), promulgated by the CFDA in March 2017 and came into effect in May 2017, the approval of clinical trial application should be issued by the Center for Drug Evaluation (the “CDE”) in the name of the CFDA.



### Regulations on the Clinical Trials and Registration of Drugs

#### *Administrative Measures for Drug Registration*

The Administrative Measures for Drug Registration (《藥品註冊管理辦法》) (“**Registration Measures**”) was promulgated by SFDA in February 2005 and was latest amended in January 2020, which came into effect in July 2020. The Registration Measures mainly cover: (1) definitions of drug marketing registration applications and regulatory responsibilities of the drug administration; (2) general requirements for drug marketing registration; (3) clinical trials; (4) application, examination and approval of drugs; (5) supplemental applications and re-registrations of drugs; (6) inspections; (7) registration standards and specifications; (8) time limit; (9) associated review of drugs, excipients and packaging materials; (10) expedited registration of drugs; and (11) liabilities and other supplementary provisions.

According to the Registration Measures, drug marketing registration applications shall be subject to three categories, namely traditional Chinese drugs, chemical drugs and biological products. Among them, the registration applications of chemical drugs shall be categorized by innovative chemical drugs, improved new chemical drugs, generic chemical drugs, etc.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which aims to reclass the registration application of chemical drugs stipulated by the Registration Measures promulgated in 2007. According to the Reform Plan for Registration Category of Chemical Medicine, Category 1 drugs refer to innovative chemical drugs that have not been marketed anywhere in the world. Improved new chemical drugs that are not marketed anywhere in the world fall into Category 2 drugs. Generic chemical drugs, that have equivalent quality and efficacy to the originator’s drugs have been marketed abroad but not yet in China, can be classified as Category 3 drugs. Generic drugs, that have equivalent quality and efficacy to the originator’s drugs and have been marketed in China, fall into Category 4 drugs. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China.

As a support policy and implementing rule of the Registration Measures newly amended in 2020, the NMPA issued the Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) (“**Classification and Data Requirements**”) in June 2020, of which the Chemical Drug Registration Classification came into effect in July 2020 and the Application Data Requirements came into effect October 2020. The Classification and Data Requirements reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine, and made minor adjustments to the subclassifications of Category 5. According to such drafts, Category 5.1 are innovative chemical drugs and improved new chemical drugs while Category 5.2 are generic chemical drugs, all of which shall have been already marketed abroad but not yet approved in China.

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### *Accelerated Approval for Clinical Trial and Registration*

The Opinions of the State Council on the Reform of Evaluation and Approval System for Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) issued by the State Council on August, 2015, established a reform framework of the evaluation and approval system for drugs and medical devices, and indicated the tasks of enhancing the standards of approval for drug registration, accelerating the evaluation and approval process for innovative drugs, and improving the approval for clinical trials of drugs, etc.

The CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》) in November 2015, which clarified the measures and policies regarding simplifying and accelerating the approval process of clinical trials, including but not limited to an one-time umbrella approval procedure allowing the overall approval of all phases of a drug's clinical trials, replacing the phase-by-phase application and approval procedure, will be adopted for drugs' clinical trial applications.

The Innovation Opinions established a framework for reforming the evaluation and approval system for drugs, medical devices and equipment. The Innovation Opinions indicated enhancing the standard of approval for drug marketing registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

According to the Announcement on Matters Concerning the Optimization of Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》) jointly issued by the NMPA and the NHC in May 2018, the CDE will prioritize the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of fast track clinical trial approval.

### *Import of Urgently Needed Drug in Boao Pilot Zone*

According to the Drug Administration Law, based on urgent medical need by medical institution of certain drug that is not yet registered domestically (the “**Urgently Needed Drug**”), subject to the approval of NMPA or competent provincial government, a small amount of such Urgently Needed Drug may be imported but shall be solely applied for specific medical purpose at the designated medical institution.

The State Council issued the Official Reply of the State Council to Approve the Establishment of Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《國務院關於同意設立海南博鳌樂城國際醫療旅遊先行區的批覆》) in February 2013, according to which, Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (the “**Boao Pilot Zone**”) shall be established as a pilot zone where accelerated approval of the import of the Urgently Needed Drug is available. The State Council further issued the Decision on Temporarily Adjusting the Implementation of the Relevant Provisions of the Implementing Measures of the Drug Administration Law in the Boao Lecheng

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International Medical Tourism Pilot Zone of Hainan Province (《國務院關於在海南博鰲樂城國際醫療旅遊先行區暫時調整實施<中華人民共和國藥品管理法實施條例>有關規定的決定》) in December 2018, according to which, the State Council empowers the People’s Government of Hainan Province (the “**Hainan Government**”) to approve the import of the Urgently Needed Drug (excluding vaccines).

### *Pilot Commercialization*

The Hainan Government promulgated the Interim Provisions on the Administration of Imported Drugs of Urgent Need in Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《海南博鰲樂城國際醫療旅遊先行區臨床急需進口藥品管理暫行規定》) in April 2019, according to which, a qualified medical institution in the Boao Pilot Zone may apply for the import of certain Urgently Needed Drug (excluding vaccines and other drugs under special management) and apply to patient on case by case basis. Such application shall be subject to the evaluation and approval of Hainan Provincial Health Commission and the Medical Products Administration of Hainan Province, as well as the customs formalities with Haikou Customs According to the Administration of Imported Drugs of Urgent Need in Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province, the urgently needed imported drugs referred to 1) drugs that are approved for sale in the United States, the European Union, Japan, and other countries or regions, and 2) have not been approved for registration in China, 3) and cannot be substituted by domestically registered varieties, which are urgently needed by designated medical institutions in the pilot free trade zone due to clinical needs. However, this does not include drugs that are subject to special management, such as vaccines. As advised by our PRC Legal Advisor, after evaluation by Hainan Medical Products Administration, CU-40102 and CU-10201 have been approved for patients in Boao Pilot Zone in Hainan Province.

### *Trial Exemptions and Acceptance of Foreign Data*

The NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data (《接受藥品境外臨床試驗數據的技術指導原則》) in July 2018, as one of the implementing rules for the Innovation Opinions, which provides that overseas clinical data can be submitted for the drug marketing registration applications in China. Such applications can be in the form of waivers to China-based clinical trials, bridging trials and direct drug marketing registration. According to the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data, sponsors may use the data of foreign clinical trials to support drug marketing registration in China, provided that sponsors must ensure the authenticity, integrity, accuracy and traceability of foreign clinical trial data and such data must be obtained consistent with the relevant requirements under the Good Clinical Practice of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (the “**ICH**”). Moreover, sponsors shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system requirements, and the accuracy and integrity of statistical analysis of data. To ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the sponsors may, prior to

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implementing registrational clinical trials, contact the CDE to ensure the compliance of registrational clinical trials' design with the essential technical requirements for drug registration in China. Sponsors must also comply with other relevant sections of the Registration Measures when applying for drug marketing registrations in China using foreign clinical trial data.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without pre-approval clinical trials being conducted in China. Specifically, the NMPA and the NHC released the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs (《關於臨床急需境外新藥審評審批相關事宜的公告》) in October 2018, permitting drugs that have been approved within the last ten years in the United States, the European Union or Japan and that prevent or treat orphan diseases or prevent, or treat serious life-threatening illnesses for which there is either no effective therapy in China, or for which the foreign-approved drug would have clear clinical advantages. Applicants will be required to establish a risk mitigation plan and may be required to complete trials in China after the drug has been marketed. The CDE has developed a list of qualifying drugs that meet the foregoing criteria.

### *Drug Clinical Trial Application*

According to the Registration Measures, after the completion of the pharmaceutical, pharmacological and toxicological research of the drug clinical trial, the applicant may submit relevant research materials to CDE for applying for the approval to conduct drug clinical trial. The CDE will organize pharmaceutical, medical and other technicians to review the application and to decide whether to approve the drug clinical trial within 60 days of the date of acceptance of the application. Once the decision is made, the result will be notified to the applicant through the website of the CDE and if no notice of decision is issued within the aforementioned time limit, the application of clinical trial shall be deemed as approval. The Registration Measures further requires that the applicant shall, prior to conducting the drug clinical trial, register the information of the drug clinical trial plan, etc. on the Drug Clinical Trial Information Platform. During the drug clinical trials, the applicant shall update registration information continuously, and register information of the outcome of the drug clinical trial upon completion. The applicant shall be responsible for the authenticity of the drug clinical trial information published on the platform. Pursuant to the Notice on the Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) promulgated by CFDA in September 2013, the applicant shall complete the trial pre-registration within one month after obtaining the approval of the clinical trial application in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrollment in the trial. If the registration is not completed within one year after the approval, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the clinical trial application shall automatically expire.

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### Clinical Trial Process and Good Clinical Practices

According to the Registration Measures, a clinical trial consists of Phases I, II, III and IV clinical trial as well as bioequivalence trial. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing research. Clinical drug trial shall be carried out in institutions for clinical drug trial that have corresponding conditions and that have undergone recordation formalities as required. The applicant filing an application for clinical drug trial after completing the pharmaceutical research, pharmacological and toxicological research, and other researches supporting clinical drug trial shall submit relevant research materials according to the requirements for the application materials. The applicant who intends to carry out a bioequivalence test shall, after undergoing the recordation formalities for bioequivalence test at the website of the Center for Drug Evaluation as required, carry out relevant research work according to the plan recorded. The clinical drug trial to be carried out shall be examined and approved by the ethics committee and the management of drugs used in a clinical drug trial shall satisfy the relevant requirements of the GCP. The applicant who is approved to carry out clinical drug trial shall, before carrying out subsequent clinical drug trial by stages, develop corresponding plan for clinical drug trial, carry out clinical drug trial upon examination and with consent of the ethics committee, and submit corresponding plan for clinical drug trial and supporting materials on the website of the Center for Drug Evaluation. Where indications (or functions) are intended to be added for a drug approved for clinical drug trial and the use of a drug in combination with other drugs is added, the applicant shall file a new application for clinical drug trial, and may only carry out new clinical drug trial with approval.

The Announcement on Issuing the Guidelines for General Considerations for Clinical Trials on Drugs (《關於發佈藥物臨床試驗的一般考慮指導原則的通告》) promulgated by the NMPA in January 2017 provides technical guidelines for applicants and investigators in formulating overall research and development plan of drugs and separate clinical trial and provides references for evaluation of the technical standards of the drugs.

To improve the quality of clinical trials, the SFDA and NHC promulgated the Good Clinical Trial Practice for Drugs (《藥物臨床試驗質量管理規範》) (the “**GCP Rules**”) in August 2003 which was further amended in April 2020 and came into effect in July 2020. According to the GCP Rules, clinical trial means systematical investigation of drugs conducted on human subjects (patients or healthy volunteers) to prove or reveal the clinical, pharmacological and other pharmacodynamic effects, adverse reactions or absorption, distribution, metabolism and excretion of the drug being investigated. In order to ensure the quality of clinical trials and the safety of human subjects, the GCP Rules provides comprehensive and substantive requirements on the design and conduct of clinical trials in China. In particular, the GCP Rules enhances the protection for study subjects and tightens the control over bio-samples collected under clinical trials.

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The GCP Rules stipulated that the sponsor shall bear the expenses for medical treatment and the corresponding compensation for any human subject who is harmed or dies due to reasons connected with the clinical trial. The sponsor and investigator shall pay the human subject the compensation or indemnification in a timely manner. However, the GCP Rules promulgated in 2020 abolishes the compulsory insurance the sponsor provides to human subjects participating in a clinical trial compared with the GCP Rules promulgated in 2003.

The GCP Rules also set out the qualifications and requirements for the investigators and centers participating in clinical trial, including: (i) professional certification at a clinical trial center, professional knowledge, training experience and capability of clinical trial, and being able to provide the latest resume and relevant qualification documents per request; (ii) being familiar with the trial protocol, investigator's brochure and relevant information of the trial drug provided by the applicant; (iii) being familiar with and comply with the Revised GCP Rules and relevant laws and regulations relating to clinical trials; (iv) keeping a copy of the authorization form on work allocation signed by investigators; (v) investigators and clinical trial centers shall accept supervision and inspection organized by the applicant and inspection by the drug regulatory authorities; and (vi) in the case of investigators and clinical trial centers authorizing other individual or institution to undertake certain responsibilities and functions relating to clinical trial, they shall ensure such individual or institution are qualified and establish complete procedures to ensure the responsibilities and functions are fully performed and generate reliable data.

The GCP Rules also summarizes the role of ethic committee in clinical trial process. An ethic committee shall consist of experts working in the medical, pharmaceutical and other fields. The clinical trial protocol may not be executed unless approved by the ethic committee. Pursuant to the Announcement on Issuing the Guidelines for Ethical Review Work of Drug Clinical Trials (《關於印發藥物臨床試驗倫理審查工作指導原則的通知》) promulgated by SFDA in November 2010, the ethics committee shall carry out a review on the project of clinical trial on the drug to decide if it is rational in terms of science and ethics, and shall be subject to guidance and supervision under the drug supervisory and administrative departments. In November 2019, the NMPA and the NHC jointly promulgated the Notice on Issuing the Administration of Drug Clinical Trial Institution (《關於發佈藥物臨床試驗機構管理規定的公告》), which stipulates that each clinical trial institution shall maintain an ethic committee responsible for the ethical review of drug clinical trial.

### *Communication with the CDE*

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) promulgated by the NMPA in July 2018, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol.

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Within 60 days after the acceptance of and the fees paid for the clinical trial applications, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

The NMPA amended the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (《藥物研發與技術審評溝通交流管理辦法》) in December 2020, which mainly improves the procedure of communication, unifies and refines the communication requirements and further classifies the Type II meeting. During the research and development periods and in the registration applications of, among others, the innovative drugs, the applicants may propose to conduct communication meetings with the CDE. The communication meetings can be classified into three types. Type I meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II meetings are held during the key research and development periods of drugs, mainly including meetings before the clinical trial application, meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a drug marketing application, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

### *Drug Marketing Registration*

According to the Registration Measures, the applicant may submit an application for drug marketing registration to CDE upon completion of relevant research on pharmacy, pharmacology, toxicology and drug clinical trials, determination the quality standards of the drug, validation of commercial-scale production processes and preparation for acceptance of verification and inspection conducted by professional technical institution designated by competent NMPA. The CDE will organize pharmaceutical, medical and other technicians to conduct comprehensive review of the safety, efficacy and quality controllability, among others, of the drug according to the application materials submitted by the applicant, the results of the verification and inspection conducted by professional technical institution, etc. If the comprehensive review conclusion is affirmative, the drug shall be approved for marketing and a drug registration certificate will be issued containing the information of the drug approval number, the marketing authorization holders (the “MAH”) and the manufacturer.

### *Pilot Plan for the MAH System*

The MAH System was formally established by the 2019 Amendment and symbolized the general application of the MAH System throughout the country. According to which: (i) an MAH refers to enterprise or drug research and development institute which has obtained a drug registration certificate; (ii) an MAH shall be responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assumes the full legal liability for non-clinical study, clinical trial, manufacturing and operation, post-market launch study, monitoring, reporting and handling of adverse reactions of the drugs; (iii) the legal representative and the key person-in-charge of a drug MAH shall be fully responsible for the

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quality of drugs; (iv) an MAH may either engage in drug manufacturing on its own or may engage licensed contract manufacturers for manufacturing; (v) an MAH may either engage in drug sales on its own or may engage licensed contract distributor for drug sales; (vi) upon approval by the drug administrative department of the State Council, an MAH may transfer the drug registration certificate for a certain drug obtained by it to a qualified transferee and upon the completion of the transfer, such transferee will be the new MAH for that drug.

### *Approval or Filing of Human Genetic Resources*

The Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》), promulgated by the Ministry of Science and Technology and the MOH in June 1998, aimed at protecting and fair utilizing human genetic resources in the PRC. The Ministry of Science and Technology promulgated the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) in July 2015, according to which, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. The Ministry of Science and Technology further promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) in October 2017, which became effective in December 2017 and simplified the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》), promulgated by the State Council in May 2019 and came into effect in July 2019, repeals The Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》) simultaneously and further stipulates that in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the type, quantity and usage of the human genetic resource to be used shall be filed with the administrative department of science and technology under the State Council before clinical trials.

On October 17, 2020, the SCNPC promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the “**Biosecurity Law**”) which became effective on April 15, 2021, establishing a comprehensive legislative framework on the current regulations in the areas including epidemic control of human, animal and plant infectious diseases, security of biotechnology research, development and application, biosafety management of pathogenic microbiology laboratories, security management of human genetic resources and biological resources, countermeasures against microbial resistance and prevention of bioterrorism and threat of biological weapons. According to the Biosecurity Law, the high-risk and medium-risk biotechnology research and development activities shall be carried out by legal entities



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lawfully established in the PRC, and shall be approved or filed; the establishment of a pathogenic microbiology laboratory shall be lawfully approved or filed; (i) collecting human genetic resources of important genetic families or specific areas in the PRC, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent department of science and technology under the State Council, (ii) preserving human genetic resources of the PRC, (iii) using human genetic resources of the PRC to carry out international scientific research cooperation, or (iv) transporting, mailing or exiting human genetic resource materials of the PRC, shall be approved by the competent department of science and technology.

In March 2022, the Ministry of Science and Technology issued Seeking Public Comments on the Implementation Rules for the Administrative Regulation on Human Genetic Resources (Exposure Draft) (《人類遺傳資源管理條例實施細則(徵求意見稿)》), which aims to further improve the efficiency of the administration of human genetic resources in China.

### REGULATIONS ON DRUG MANUFACTURING AND DISTRIBUTION

#### Drug Manufacturing

According to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. According to the Regulations of Implementation of the Drug Administration Law and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》) (the “**GMP Rules**”), promulgated in August 2004 and amended in November 2017 and January 2020, respectively, the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, legal representative, registered address and unified social credit code specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the industrial and commercial administrative department. According to such measures, to the extent the MAH does not manufacture the drug but through contract manufacturing organization, the MAH shall apply for drug manufacturing license with the provincial counterpart of the NMPA, subject itself to inspections and other regulatory oversight by the agency.

The Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》) was promulgated in March 1988 and was latest amended in January 2011. The Good Manufacturing Practice for Drugs comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and management of customer complaints and adverse event reports.

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On November 29, 2019, the NMPA issued the Announcement on Matters relating to the Implementation of the Drug Administration Law of the PRC (《關於貫徹實施〈中華人民共和國藥品管理法〉有關事項的公告》), which confirmed that the GMP certification would be canceled from December 1, 2019, and no application for GMP certification would be accepted and no GMP certificate would be granted. However, according to the Drug Administrative Law, drug manufacturers shall still comply with the GMP, establish and improve the GMP system, and ensure the whole drug production process consistently in compliance with statutory requirements.

On May 24, 2021, the NMPA issued the Administrative Measures for Drug Inspection (Trial) (《藥品檢查管理辦法(試行)》) which became effective on the same day, and the Administrative Measures for the Certification of Good Manufacturing Practice was repealed. The Administrative Measures for Drug Inspection (Trial) provided that onsite inspections shall be conducted pursuant to the GMP on a drug manufacturer applying for the drug manufacturing license for the first time, while for the drug manufacturers applying for the renewal of drug manufacturing licenses, the review shall be conducted based on the risk management principles, in combination with the drug manufacturers' compliance with the laws and regulations of drug administration, and the operation of the GMP and quality management system, and inspections on the drug manufacturers' conformity to the GMP may be conducted where necessary.

### **Drug Distribution**

According to the Drug Administration Law and its implementing regulations and the Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), which was promulgated by the SFDA in January 2007 and came into effect in May 2007, pharmaceutical enterprise shall be responsible for the quality of pharmaceuticals they manufacture, operate or use, purchase, sale, transportation, storage.

According to the Measures for the Administration of Pharmaceutical Operation Certificate (《藥品經營許可證管理辦法》) which was promulgated in February 2004 and amended in November 2017 by the CFDA, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration. The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the retail pharmacy store.

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### Advertising of Drugs

According to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the Standing Committee of the NPC in October, 1994 and last amended in April, 2021, certain contents such as statement on cure rate or efficiency shall not be included in the advertisement of drugs.

Pursuant to the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) which was promulgated by the State Administration for Industry and Commerce (“SAIC”) in July, 2016 and became effective as of September, 2016, the Internet advertisement must be visibly marked as “advertisement”. Advertisements for special commodities or services such as medical treatment, pharmaceuticals, foods for special medical purposes and other health foods must be reviewed by competent authorities before online publication.

Pursuant to the Measures for Administration of Medical Advertisement (《醫療廣告管理辦法》), which was jointly promulgated by the SAIC and the MOH in September, 1993, and was amended in November 10, 2006 and effective in January, 2007, medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Examination Certificate before being released. Medical Advertisement Examination Certificate is valid for one year and may be renewed upon application.

According to the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food, and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) issued by the State Administration for Market Regulation in December, 2019 and came into effect in March, 2020, the advertisements for drugs shall not be released without being reviewed and the contents of a drug advertisement shall be based on the drug instructions approved by the drug administration departments.

### OTHER PRC REGULATIONS RELATING TO THE PHARMACEUTICAL INDUSTRY

#### Regulations on Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations. In March 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (《關於深化醫藥衛生體制改革的意見》). In December 2016, the State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (《關於印發“十三五”深化醫藥衛生體制改革規劃的通知》). In April 2017, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2017 (《深化醫

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藥衛生體制改革2017年重點工作任務》)。In August 2018, the General Office of the State Council issued the Notice on the Main Tasks of Strengthening the Reform of Healthcare System in second half of 2018 (《關於印發深化醫藥衛生體制改革2018年下半年重點工作任務的通知》)。Highlights of these healthcare reform policies and regulations include (1) establishing a basic healthcare system to cover both urban and rural residents and providing the Chinese people with safe, effective, convenient and affordable healthcare services, (2) improving the healthcare system through the reform and development of a graded hierarchical healthcare system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision, and (3) improving the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population.

In May 2019, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2019 (《深化醫藥衛生體制改革2019年重點工作任務》), highlighting the following policies and regulations (1) reinforcing the degree of cancer prevention and treatment, accelerating the registration and approval of anti-cancer new drugs at home and abroad and remaining the temporary channel of imperative anti-cancer drugs importation open, (2) consolidating and improving the basic medicine system and establishing an inventive and restrictive mechanism for preferential use. Improving the dynamic adjusting mechanism of the National Reimbursement Drug List (the “NRDL”) and incorporating the eligible therapeutic drugs listing in the National Essential Drug List into the NRDL first in accordance with the procedure. As of the Latest Practicable Date, as advised by our PRC Legal Advisor, the inclusion in the NRDL of localized adipose accumulation medication for the treatment of obesity disease are not mandatory.

In December 2019, the Standing Committee of the NPC promulgated the Law of the People’s Republic of China on Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進法》), which came into effect in June 2020. Such law established the legal framework for the administration of basic medical and health services for citizens in China, including the administration of basic medical care services, medical care institutions, medical staff, guarantee of drug supply, health promotion and guarantee of medical funds.

In February 2020, the Central Committee of the PRC Communist Party and the State Council jointly promulgated the Opinions on Deepening the Reform of the Healthcare Security System (《中共中央、國務院關於深化醫療保障制度改革的意見》), which envisages that a higher level healthcare system should be established by 2030, which centers on basic medical insurance, is underpinned by medical aid and pursues the common development of supplementary medical insurance, commercial health insurance, charitable donations and medial mutual assistance. To this end, such opinions map out tasks in several respects, including making the mechanism of medical insurance benefits guarantee more impartial and appropriate, improving the robust and sustainable operating mechanism for funds raised, establishing more effective and efficient healthcare payment mechanism and enhancing the supervision and administration on medical security fund and etc.

### Regulations on Two-Invoice System

According to the Implementing Opinions on Promoting the “Two-Invoice System” for Drug Procurement By Public Medical Institutions (For Trial Implementation) (“**Two-Invoice System Notice**”) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)》) which was issued on December 26, 2016, the two-invoice system is a system that mandates pharmaceutical manufacturers to issue one invoice to pharmaceutical distributors and pharmaceutical distributors to provide another invoice to public medical institutions. Sale of products invoiced from the manufacturer to its wholly owned or controlled distributors, or for imported drugs, to their exclusive distributor, or from a distributor to its wholly owned or controlled subsidiary is excluded.

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

On July 19, 2019, the General Office of the State Council issued the Circular on the Governance of High-value Medical Consumables Reform Program (《國務院辦公廳關於印發治理高值醫用耗材改革方案的通知》), which indicated local governments are encouraged to adopt the “Two-Invoice System” when taking into consideration the local situation, in order to reduce the circulation of high-value medical consumables and promote the transparency of purchases and sales.

Certain provinces have implemented or are encouraged to implement the “Two-Invoice System” for drugs and medical consumables. On July 23, 2018, eight local government departments of Shaanxi Province, including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫藥衛生體制改革領導小組辦公室), issued the Notice on Further Promoting the “Two-Invoice System” on Drugs and Medical Consumables (《關於進一步推進藥品和醫用耗材“兩票制”的通知》), which stipulates that on the basis of the full implementation of the “Two-Invoice System” of medical consumables in the urban public medical institutions, primary medical and healthcare institutions at the county level or below shall begin to implement the “Two-Invoice System” for medical consumables starting from August 1, 2018.

### REGULATIONS ON COSMETICS

#### Production and Sales of Cosmetics

According to Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) which was promulgated by the State Council in June 2020 and became effective in January 2021, and the Measures for the Supervision and Administration of Production and Distribution of Cosmetics (《化妝品生產經營監督管理辦法》) which was promulgated by SAMR in August 2021 and became effective in January 2022, whoever engages in the production of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the Central Government at the place where it is located. Cosmetic registrants and recordation entities may produce cosmetics by themselves or by entrusting other enterprises. In the case of entrusted production of cosmetics, a cosmetic registrant or recordation entity shall entrust an enterprise that has obtained the corresponding cosmetics production license, and supervise the production activities of the entrusted enterprise to ensure that it produces cosmetics according to statutory requirements. Cosmetic manufacturers and distributors shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle in a timely manner the deteriorated or expired cosmetics. The cosmetic distributors on the E-commerce platform shall disclose the information on the cosmetics they distribute in a comprehensive, truthful, accurate and timely manner. The content of cosmetics advertisements shall be authentic and legal. No cosmetic advertisement may expressly or impliedly indicate that the product has any medical effect, contain any false or misleading information, or deceive or mislead consumers.

According to the Safety and Technical Standards for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版)》) promulgated by the SFDA in the December 2015 and came into effect in December 2016, the production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety.

According to the Measures for the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) which was promulgated by the NMPA in May 2021 and came into effect in May 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards and technical specifications. The contents of the labels shall be lawful, authentic, complete and accurate and consistent with the relevant contents registered or filed for record.

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### Registration and Recordation of Cosmetics

According to Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), within the territory of the PRC, the medical products administration conducts registration administration of special cosmetics and new cosmetic raw materials with a high degree of risks, and conducts recordation administration of general cosmetics and other new cosmetic raw materials. According to the Measures for the Administration of the Registration and Recordation of Cosmetics (《化妝品註冊備案管理辦法》), which was promulgated by the SAMR in January 2021 and came into effect in May 2021, a registrant or recordation entity of cosmetics and new cosmetic raw materials shall, when applying for registration or undergoing recordation formalities, comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications, and be responsible for the veracity and scientificity of the materials submitted, including but not limited to the Administrative Provisions of Cosmetics Registration and Filing Documents (《化妝品註冊備案資料管理規定》), the Administrative Provisions on Materials for Registration and Record Filing of New Cosmetic Ingredients (《化妝品新原料註冊備案資料管理規定》), the Classification Rules and Catalogue of Cosmetics (《化妝品分類規則和分類目錄》), the Technical Guideline for Safety Assessment of Cosmetics (Version 2021) (《化妝品安全評估技術導則(2021年版)》), the Standards for Cosmetic Efficacy Claim Evaluation (《化妝品功效宣稱評價規範》), all of which was promulgated by the NMPA and came into effect in May 2021, the Supervision and the Administration measures of Children's Cosmetics (《兒童化妝品監督管理規定》) which was promulgated by the NMPA and came into effect in January 2022, the Specifications for the Implementation of Cosmetics Registration and Filing Inspection (《化妝品註冊和備案檢驗工作規範》) which was promulgated by the NMPA and came into effect in September 2019.

According to Notice of the State Food and Drug Administration on Issuing the Provisions on the Acceptance of Cosmetic Administrative Licensing Application (《國家食品藥品監督管理局關於印發<化妝品行政許可申報受理規定>的通知》), which was promulgated by the SFDA in December 2009 and came into effect in April 2010, and Notice of the State Food and Drug Administration on Strengthening the Administration of the Recordation of Domestic Non-special Use Cosmetics (《國家食品藥品監督管理局關於加強國產非特殊用途化妝品備案管理工作的通知》), which was promulgated by the SFDA and came into effect in April 2009, domestic special-use cosmetics are subject to administrative licensing management, and domestic non-special-use cosmetics are subject to recordation administration.

### Regulations on Advertising relating to Cosmetics

The Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the NPC latest amended with immediate effect from April 2021, regulates commercial advertising activities in the PRC and sets out the obligations of advertisers, advertising operators, advertising publishers, and advertisement endorser. Advertisers shall be responsible for the veracity of their advertisement content. The goods or services come with a gift in an advertisement shall specify, the type, specification, quantity, period and method of such gift. Any advertiser in violation of the foregoing requirements will be ordered to stop publishing of

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advertisement, and a fine of not more than RMB100,000 may be imposed. Except for medical, pharmaceutical and medical machinery advertisements, no other advertisements shall involve illness treatment function, use medical jargon or jargon which misleads readers to confuse the promoted product with medicine or medical machinery. Any advertiser in violation of such requirements will be ordered to cease publishing such advertisements and imposed some fine, the business license of the offender may be revoked in severe circumstances, and the relevant authorities may revoke the approval document for examination and refuse to accept applications submitted by such advertiser for one year.

The Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which was promulgated by the SAIC, in July 2016 with effect from September 2016, regulates that in internet advertising activities, internet advertisers are responsible for the authenticity of the content of advertisements and all online advertisements must be marked “Advertisement” so that viewers can easily identify them as such.

### **OTHER SIGNIFICANT PRC REGULATIONS AFFECTING OUR BUSINESS IN THE PRC**

#### **Regulations on Enterprise Investment Projects**

According to Regulations on the Administration of Approval and Filing of Enterprise Investment Projects (Order No. 673 of the State Council of the people’s Republic of China) (《企業投資項目核准和備案管理條例》, 中華人民共和國國務院令第673號) implemented in February 2017, projects related to national security, major productivity distribution, strategic resource development and major public interests are subject to approval management. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalog of investment projects approved by the government.

According to the Notice of the State Council on Issuing the Catalogue of Investment Projects Approved by the Government (2016 version) (國務院關於發佈政府核准的投資項目目錄(2016年本)的通知), 國發[2016]72號) implemented in December 2016, the cross-border and cross-provincial (district, city) trunk pipeline network projects shall be approved by the competent investment department of the State Council, and the cross-border projects shall be reported to the State Council for the record, and other projects are approved by local governments.

#### **Regulations on Construction**

##### ***Construction Work Planning Permit***

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the People’s Government at



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the municipal or county level or the People's Government at the municipal or county level or to the People's Government of town as recognized by the People's Government of a province, autonomous region or municipality.

### *Construction Work Commencement Permit*

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the Standing Committee of National People's Congress in November 1997 and last amended in April 2019, a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work Commencement Permit from a competent department of the Construction Administration of the People's Government at or above the county level of the place where the project is located pursuant to the relevant regulations, except for small projects below the threshold value set by the competent construction administrative department under the State Council. Construction projects which have obtained approval of construction commencement reports in accordance with the procedures stipulated by the State Council under its authority are no longer required to apply for construction licenses.

### *Acceptance on Completion of Construction*

Under the Construction Law of the PRC (《中華人民共和國建築法》) (the “**Construction Law**”) promulgated by the SCNPC in November 1997, with effect in March 1998, last amended in April 2019 and newly effective on the same date, enterprises engaged in construction, engineering survey, engineering design and supervision shall apply for the qualifications of different grades according to its registered capital, professional and technical personnel, technical equipment and achievements and after passing the qualification examination, could separately obtain qualification certificates of commensurate grades for construction, surveying, design, supervision, only with which, can it undertake construction, survey, design, and supervision activities within the scope set out in its qualifications.

Pursuant to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) promulgated by Ministry of Construction (predecessor of the Ministry of Housing and Urban-Rural Development (the “**MOHURD**”)) in October 1999 with effect in December 1999, last amended in March 2021 and newly effective on the same day, within the territory of PRC, when engaged in the construction, decoration of buildings and the subsidiary facilities, installation of supporting lines, pipelines and equipment, as well as the construction of municipal infrastructure projects in cities and towns, the construction unit shall, before starting construction, in accordance with the provisions of the Measures, report to the local competent authorities of housing and urban-rural construction at or above the county level where the projects are located and apply for a construction permit. Construction projects with the investment of less than RMB300,000 or a construction area of less than 300 m<sup>2</sup> are not required for construction permits.

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Pursuant to the Administrative Measures for the Administration of Completion Acceptance and Filing of Housing Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the MOHURD in October 2009 with effect on the same day, for newly-built, expanded and re-built housing and municipal infrastructure projects within the territory of the PRC, the institution which has carried out such construction shall, within 15 days from the date of acceptance and of the relative project, file with the competent construction department of the local people's government at or above the county level where such project is located.

### Regulations on Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC in December 1989, last amended in April 2014 and came into effect in January 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC in October 2002, and most recently amended in December 2018, the PRC government implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the “**Environmental Impact Assessment Documents**”) for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council in October 2013 and came into effect in January 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

The Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council in November 1998, amended in July 2017 and came into effect in October 2017, stipulate that, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form.

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### Regulations on Fire Protection

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “**Fire Prevention Law**”), which was promulgated in April 1998 and most recently amended in April 2021, provides that fire control design and construction of a construction project shall comply with the State’s fire control technical standards for construction projects. Developers, designers, builders, project supervisors, etc. shall be responsible for the quality of the fire control design and construction of the construction project pursuant to the law. The development project fire safety design examination and acceptance system shall be implemented for development projects which are required to have fire safety design in accordance with the national fire protection technical standards for project construction. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the MOHURD on April 1, 2020, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

### Regulations on Hazardous Wastes

Pursuant to the Measures for the Administration of Permit for Operation of Hazardous Wastes (《危險廢物經營許可證管理辦法》) issued by the State Council in May 2004, last revised in February 2016 and became effective on the same day, any entity undertaking the business activities of collection, storage and disposal of hazardous wastes within the territory of the PRC shall obtain the permit for operation of hazardous wastes in accordance with the provisions of the Measures. The permit for operation of hazardous wastes shall be divided into the permit for comprehensive operation of the collection, storage and disposal of hazardous wastes and the permit for operation of the collection of hazardous wastes in light of the ways of business operation. Application for a new permit for the comprehensive operation of the collection, storage and disposal of hazardous wastes should meet the requirements of environmental protection technicians, transportation tools, packaging tools, storage facilities, pollution prevention facilities, and technology and techniques and the validity period for such permit is five years. The Measures also stipulate that, under any of the following circumstances, the operating entity of hazardous wastes shall reapply for the permit for operation of hazardous wastes in light of the former application procedures: changing ways of operation of hazardous wastes, adding new varieties of hazardous wastes, newly establishing or rebuilding or expanding the construction of the former operation facilities of hazardous wastes, or managing hazardous wastes exceeding the originally permitted annual treatment capacity by 20% or more. No entity without permit for operation shall undertake any business activity of collection, storage, and disposal of hazardous wastes or undertake such activities not in accordance with the provisions of the permit for operation. An operating entity of hazardous wastes shall set up register for the management of hazardous wastes, which shall specify such matters according to the facts as the classes and sources of the hazardous wastes having been collected, stored or disposed, the direction the hazardous wastes have gone to, and whether there is any accident.

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Pursuant to the Measures for the Management of Hazardous Waste Transfer (《危險廢物轉移管理辦法》) issued by the Ministry of Ecology and Environment, Ministry of Public Security, Ministry of Transport in November 2021 and became effective in January 2022. An entity that produces hazardous wastes shall work out a plan for managing hazardous wastes in accordance with the relevant provisions issued by the state; and keep a hazardous waste management journal, faithfully recording relevant information, and report the types, production, destination, storage, treatment and other relevant information to the local ecology and environment department through the National Hazardous Waste Information Management System. The transferor of hazardous waste shall perform the following obligations: (1) verify the qualification and technical capacity of the carrier or the recipient, sign a written contract according to law, and stipulate the pollution prevention requirements and relevant responsibilities for the transportation, storage, utilization and disposal of hazardous waste in the contract; (2) make a hazardous waste management plan to clarify the type, weight (quantity), flow direction and other information of the hazardous waste to be transferred; (3) establish a hazardous waste management account, measure and weigh the transferred hazardous waste, and faithfully record and properly keep the type, weight (quantity), receiver and other relevant information of the transferred hazardous waste; (4) fill in the hazardous waste transfer form and operate accordingly, truthfully fill in the information of the transferor, carrier and receiver in the hazardous waste transfer form, the type, weight (quantity), hazardous characteristics and other information of the transferred hazardous waste, as well as the preventive measures for environmental emergencies; (5) timely verify the storage, utilization or disposal of relevant hazardous wastes by the recipient.

Pursuant to the Notice of the NDRC, the MEP, Ministry of Health, the MOF and Ministry of Construction on Implementing the Charging System for Hazardous Waste Disposal to Promote the Industrialisation of Hazardous Waste Disposal (《關於實行危險廢物處置收費制度促進危險廢物處置產業化的通知》) issued in November 2003 and became effective on the same day, hazardous wastes refer to the wastes which are listed in the National Catalogue of Hazardous Wastes or identified as hazardous wastes according to the national hazardous wastes identification standard and method, including industrial hazardous wastes, medical wastes and other hazardous wastes of social origin. The units producing and commissioning other entities to dispose of hazardous wastes, shall pay the disposal fee of hazardous wastes according to relevant regulation. The specific principles and measures for charging fees for the disposal of hazardous waste shall be formulated by the competent price departments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC. The specific fee rates for charging fees for the disposal of hazardous wastes shall be formulated by the price departments of the people's governments of cities divided into districts in consultation with the relevant departments, submitted to the people's governments of cities for approval and implementation, and submitted to the price departments at the provincial level for the record.

### **Regulations on Intellectual Property Rights**

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識財產權協定》), the Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), the Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協定》) and the Patent Cooperation Treaty (《專利合作條約》).

### ***Patents***

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC in March 1984, as amended in September 1992, August 2000 and December 2008, October 2020 and came into effect in June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council in June 2001 and as amended in December 2002 and January 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent, 10 years for a utility model patent and 15 years for a design patent (10 years for a design patent filed on or before May 31, 2021), commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the Patent Law of the PRC, for public health purposes, the State Intellectual Property Office of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, according to the Patent Law of the PRC, any organization or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination. The Patent Law of the PRC also sets forth the provisions for patent term extension and patent term adjustment.

### ***Patent Transfer and License***

Patent transfer (patent assignment) and patent license are two different ways of transferring or granting rights of a patent.

Patent assignment refers to the transfer of ownership of a patent from one party (assignor) to another (assignee). The party who receives the assignment (assignee) becomes the new owner of the patent, has the entire right to enforce it and collect any damages for infringement. In countries like China, patent assignment needs to be recorded with the patent office and announced to public, before it takes effect.

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On the other hand, patent license grants permission to another party (licensee) to use a patent, but ownership of the patent remains with the original owner (licensor). The licensee is allowed to use the patent subject to the terms of the license agreement, which may specify limitations on territory, field, scope and/or duration of use. In Mainland China, the recordal of a patent license agreement is not mandatory.

### *Patent Enforcement*

Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engagement in other patent infringement acts, will subject the infringers to infringement liability. Serious offences such as forgery of patents may be subject to criminal penalties.

A patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. If willful patent infringement is found with serious circumstances, the damages may be increased to an amount between one and five times the amount determined as per the aforementioned calculation method. Statutory damages may be awarded in the circumstances where the damages cannot be determined by the above-mentioned calculation standards. The damage calculation methods shall be applied in the aforementioned order.

### *Trade Secrets*

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the Standing Committee of the NPC in September 1993, and amended in November 2017 and April 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigating, inducing or assisting others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of trade secrets, disclosing, using or permitting others to use the trade secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of

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others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

### *Trademarks*

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC in August 1982, and amended in February 1993, October 2001, August 2013 and April 2019 respectively, the period of validity for a registered trademark is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

### *Domain Names*

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology in August 2017, and came into effect in November 2017, and the Implementing Rules of China ccTLD Registration (《國家頂級域名註冊實施細則》) issued by China Internet Network Information Center on June 18, 2019, which became effective on the same day. The MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

### **Regulations on Cybersecurity**

On December 28, 2021, the Cyberspace Administration of China (the “CAC”), jointly with 12 other governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “MCR”), which became effective on February 15, 2022. Pursuant to Article 2 of the MCR, critical information infrastructure operators purchasing internet products and services and online platform operators engaging in data processing activities, which affect or may affect national security, will be subject to cybersecurity review. As of the Latest Practicable Date: (i) we had not been determined or identified as a critical information infrastructure operator by any governmental authorities; (ii) we believe that we had not engaged in any data processing activities that affect or may affect national security; and (iii) we had not been involved in any investigations on cybersecurity review made by CAC, and

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had not received any inquiry, notice, warning or sanctions in this regard. Based on the foregoing, our PRC Legal Advisors are of the view that it is unlikely that we would be determined or identified as a critical information infrastructure operator as long as there is no material change to the Company's current business and we have no obligation to proactively apply for cybersecurity review under the MCR.

On November 14, 2021, CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”). Pursuant to Article 2 and Article 73 of the Draft Cyber Data Security Regulation, the Draft Cyber Data Security Regulation applies to data processing activities by utilizing the internet as well as cyber data security supervision and management activities within the PRC. “Cyber data” refer to any information that is electronically recorded, whereas “data processing activities” refer to activities such as data collection, storage, usage, processing, transmission, provision, disclosure and deletion. In general, any company which is engaged in data processing activities through the internet within the PRC will be subject to the Draft Cyber Data Security Regulation. As advised by our PRC Legal Advisors, by collecting, storing and otherwise processing certain information via internet in connection with our business operation, the Company would be subject to relevant requirements under the Draft Cyber Data Security Regulation in terms of personal data protection, cyber security management, assessment and report and other applicable aspects, assuming that such regulation is implemented in the current form. In addition, Article 13 of the Draft Cyber Data Security Regulation stipulates that data processors must apply for cybersecurity review when carrying out activities including (i) seeking to be listed in Hong Kong that affect or may affect national security and (ii) other data processing activities that affect or may affect national security. Given that the Draft Cyber Data Security Regulation was still in the draft form for comments and had not come into force as of the Latest Practicable Date, the applicability of various requirements under the Draft Cyber Data Security Regulation is still subject to further official guidance and applicable implementation rules.

### REGULATIONS RELATING TO THE LEASING OF PROPERTY

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (商品房屋租賃管理辦法) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and coming into force on February 1, 2011, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the departments in charge of construction (real estate) of the governments in the municipality directly under the Central Government, city and county where the leased housing is located. Parties to the leasing of housing may entrust in writing another party to handle the registration and filing procedure of the leasing. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the department in charge of construction (real estate) of the people's government in the municipality directly under the Central Government, the cities or the counties shall order rectification within a time limit. If



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rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

Pursuant to the Law of the People's Republic of China on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) issued by the SCNPC on August 26, 2019 and became effective on January 1, 2020, Where the owner of a building leases, with a profit-making objective, buildings on State-owned land for which the land use right is granted to the owner of the building by way of allocation, the gains on land included in the rental shall be turned over to the State.

### Regulations on Product Liability

In addition to the strict drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. According to the Civil Code of the PRC (《中華人民共和國民法典》), promulgated by the NPC in May 2020 and came into effect in January 2021 manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

In February 1993, the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) was promulgated to supplement the PRC Civil Law aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was last revised in December 2018. According to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated in October 1993, amended in October 2013, and came into effect in March 2014, to protect consumers' rights when they purchase or use goods and accept services. According to which, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall pay high attention to protect the customers' privacy and strictly keep it confidential any consumer information they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

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### **Regulations on Tort**

According to the Civil Code of the PRC (《中華人民共和國民法典》), promulgated by the NPC in May 2020 and came into effect in January 2021, if damages to other persons are caused by defective products due to the fault of a third party, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of a warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

### **Regulations on Foreign Exchange and the Dividend Distribution**

#### *Foreign Exchange Control*

According to the PRC Regulation for the Foreign Exchange (《中華人民共和國外匯管理條例》) promulgated by the State Council in January 1996, which was amended in January 1997 and August 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China in June 1996, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends.

According to the Circular of State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the State Administration of Foreign Exchange (the "SAFE"), (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was further amended in December 2019 and

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prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

The Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), which were promulgated by the SAFE in May 2013 and amended in October 2018 and December 2019, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by the SAFE in March 2015 and amended in December 2019, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE in June 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated by SAFE in October 2019, non-investment Foreign Invested Enterprises may use capital to carry out domestic equity investment in accordance with the law under the premise of not violating the negative list and the projects invested are true and in compliance with laws and regulations.

According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by SAFE in April 2020, under the condition that the use of funds is genuine and compliant with current administrative provisions on use of income relating to capital account, enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

### *Dividend Distribution*

The principal regulations governing distribution of dividends of wholly foreign-owned enterprise, or WFOE, include the PRC Company Law. Under these regulations, WFOEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

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## REGULATORY OVERVIEW

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The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

### *Foreign Exchange Registration of Offshore Investment by PRC Residents*

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”) in July 2014. The SAFE Circular 37 requires PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the “**SPV**”) directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV.

Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

### *Employee Stock Incentive Plan*

According to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) which was promulgated by SAFE in February 2012, PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through

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the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. Moreover, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with local branches of SAFE before exercising rights.

### **Regulations on Labor**

#### ***Labor Law and Labor Contract Law***

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2009 and December 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC in June 2007 and amended in December 2012 and came into effect in July 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council in September 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

#### ***Social Insurance and Housing Provident Funds***

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the NPC in October 2010 and came into effect in July 2011, and further amended in December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council in January 1999 and amended in March 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council in April 1999 and amended in March 2002 and March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

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## REGULATORY OVERVIEW

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### Regulations on Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the NPC in March 2007 and amended in February 2017 and December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council in December 2007 and amended in April 2019, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) promulgated in August 2006 and came into effect in August 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) which was promulgated by the State Taxation Administration in February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) which was promulgated by the State Taxation Administration in February 2018 and came into effect in April 2018, if an applicant’s business activities do not constitute substantive business activities, it could result in the negative determination of the applicant’s status as a “beneficial owner”, and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

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### Regulations on Overseas Listing

On 17 February 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant five guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas offering and listing is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended overseas securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. As advised by our PRC Legal Advisor, our Company does not fall within any of the circumstances aforesaid which overseas offering and listing is explicitly prohibited.

The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The determination of the indirect overseas issuance and listing of domestic enterprises follows the principle of “substance over form”. If the relevant issuer does not fall under the two conditions as stated in the comment from the Stock Exchange above, but submits an application for issuance and listing in overseas markets according to the relevant regulations for non-domestic (or regional) issuers, and the disclosed risk factors are mainly related to domestic factors, securities companies and domestic lawyers of the issuer shall comprehensively verify and identify

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whether the issuer falls within the scope of filing in accordance with the principle of “substance over form”. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

We are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

Our Group was founded in 2019 by 6 Dimensions Entities and our founder, Ms. Zhang Lele, who got acquainted with 6 Dimensions Capital, the private equity fund management company under which our Controlling Shareholders are managed, through the introduction by a common acquaintance of herself and Dr. Xie Qin, one of our non-executive Directors who was then serving at an affiliate of our Controlling Shareholders, in 2018. 6 Dimensions Entities are the Controlling Shareholders of our Company and 6 Dimensions Capital is a specialist healthcare private equity fund management company with an in-depth focus on healthcare and extensive coverage across China and the United States. For more details about 6 Dimensions Entities, please refer to “– Pre-IPO Investments” in this section and the section headed “Relationship with our Controlling Shareholders”. Ms. Zhang Lele is our executive Director and CEO, who has been responsible for the overall business operations and management of the Group since its establishment. Ms. Zhang Lele has worked in the pharmaceutical industry for approximately 20 years, accumulating a wealth of first-hand experience in the industry with a proven track record of success. See “Directors and Senior Management” for details of relevant industrial experience of Ms. Zhang Lele.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 15, 2019 as the holding company of our operating subsidiaries in the PRC. For more details of our corporate development and historical financing, see “– Corporate Development” and “– Pre-IPO Investments”.

### KEY MILESTONES

The following table sets forth certain key business development milestones of our Group:

<b>Date</b>	<b>Event</b>
2019	The Group was founded in 2019 with our Company, Cutia HK and Cutia Shanghai incorporated or established on May 15, May 30 and July 3, 2019, respectively
	Commenced further R&D in November 2019 on CU-10101, a novel drug for atopic dermatitis, which was in-licensed by the Group from Wuhan Yingnashi Pharmaceutical Co., Ltd. (武漢英納氏藥業有限公司), an Independent Third Party, in November 2019 for further development and commercialisation
	Commenced further R&D in November 2019 on CU-30101, a localized lidocaine and tetracaine compound topical anesthesia cream, which was acquired by the Group from Sparkmed Research, LLC., an Independent Third Party, in November 2019 for further development and commercialisation

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<b>Date</b>	<b>Event</b>
2020	<p>In-licensed CU-10201, the first and only topical minocycline approved for acne vulgaris treatment globally and one of our Key Products, from Foamix Pharmaceuticals Ltd., an Independent Third Party, in April 2020</p> <p>In-licensed CU-40101, a topical liniment to treat androgenetic alopecia, from TechnoDerma Medicines Inc. (嘉興特科羅生物科技有限公司), an Independent Third Party, in May 2020</p> <p>Commenced further R&amp;D in June 2020 on CU-10401, an AhR targeted non-steroidal small molecule chemical drug in topical form, which was acquired by the Group from Wuhan Yingnashi Pharmaceutical Co., Ltd. (武漢英納氏藥業有限公司), an Independent Third Party, in June 2020 for further development and commercialisation</p> <p>Acquired CU-20401, a recombinant mutant collagenase and our Core Product, from Rejuven Dermaceutical Co., Ltd. (杭州觀蘇生物技術有限公司), an Independent Third Party, in August 2020</p> <p>In-licensed CU-40102, the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China and one of our Key Products, from Polichem S.A., an Independent Third Party, in November 2020</p>
2021	<p>Acquired individual, direct and exclusive distribution rights to develop the distribution and marketing of CUP-MNDE, a commercialized, over-the-counter minoxidil spray indicated for alopecia, from Laboratoires Bailleul International SA, an Independent Third Party, in the PRC in June 2021</p> <p>Received the approvals for pilot commercialization of CU-10201 and CU-40102 from Hainan Medical Products Administration in July 2021</p> <p>Received NMPA's approval to conduct Phase I clinical trial of CU-20401 for abdominal adipose accumulation and submental adipose accumulation in August 2021</p> <p>Acquired individual, direct and exclusive distribution rights within the PRC for CUP-SFJH, a commercialized, hair growth serum featuring a non-hormonal formula of natural plant extracts, from Van Montfort Laboratories B.V., an Independent Third Party, in September 2021</p>

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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<b>Date</b>	<b>Event</b>
2022	Enrolled all patients for Phase III clinical trial for CU-10201 in June 2022
	Submitted IND application to NMPA of CU-30101 in August 2022 and received the IND approval in November 2022
	Completed Phase I clinical trial for CU-20401, our Core Product, for the treatment of submental adipose accumulation in November 2022

### OUR SUBSIDIARIES

As of the Latest Practicable Date, we had five wholly-owned subsidiaries, details of which are set forth as below:

<b>Name</b>	<b>Place of incorporation</b>	<b>Date of establishment</b>	<b>Principal business activities</b>
Cutia HK	Hong Kong	May 30, 2019	Cross-border operational matters and product commercialization of the Group
Cutia Shanghai	PRC	July 3, 2019	Product research and development
Aurora Cutis	PRC	November 11, 2020	Commercialization of the self-developed products in the domestic market
Cutia Wuxi	PRC	December 4, 2020	Product manufacture
Chongqing Lehao	PRC	August 24, 2022	Commercialization of the dermatoses pharmaceutical products developed by third-party manufacturer or our Group in the domestic market

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### CORPORATE DEVELOPMENT

The following sets forth major corporate history and shareholding changes of our Group.

#### **Our Company**

Our Company was incorporated in the Cayman Islands on May 15, 2019 as an exempted company with limited liability with one Share allotted and issued to the initial subscriber who subsequently transferred such Share to Ms. Chung Sau Yin, the chief financial officer of 6 Dimensions Capital (通和毓承) on the same date. On August 23, 2019, the Company had (i) an authorized share capital of US\$50,000 which consisted of 500,000,000 Shares with a par value of US\$0.0001 each and (ii) 7,604,342 Shares and 400,229 Shares issued and subscribed by 6 Dimensions LP and 6 Dimensions Affiliates, respectively, at US\$0.0001 each, which were fully paid up in cash on August 23, 2019.

On the same date, the Company also conducted its 6D Cayman Series A-1 Financing (as defined below), and entered into Option Agreements (as defined below) with Suzhou 6 Dimensions and Suzhou Frontline II. For more details, see “– Pre-IPO Investments – Overview – Series A-1 and Series A-2 Financing” below.

After the aforementioned change of share capital, the Company underwent several rounds of financing and transfer of Shares, details of which are set out in the sub-sections headed “– Pre-IPO Investments” and “– Capitalization” below.

#### **Our Subsidiaries**

##### ***Cutia HK***

Cutia HK was incorporated in Hong Kong with limited liability on May 30, 2019. Upon incorporation, one share of Cutia HK was allotted and issued to the Company at a subscription price of US\$1 and Cutia HK was then wholly owned by the Company. There is no change of shareholding or share capital of Cutia HK since then.

##### ***Cutia Shanghai***

###### *1. Establishment*

Cutia Shanghai was established as a limited liability company in the PRC on July 3, 2019 with an initial registered capital of US\$2,000,000 fully subscribed by Cutia HK with an investment amount of US\$2,800,000.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### 2. *Onshore Series A Financing*

On September 11, 2019, Cutia Shanghai increased its registered share capital to US\$5,000,000 as Cutia HK increased its investment amount in Cutia Shanghai to US\$8,800,000.

On November 6, 2019, as part of our onshore series A financing, Cutia Shanghai increased its registered share capital to US\$8,825,903 as Suzhou 6 Dimensions and Suzhou Frontline II subscribed for US\$2,678,132 and US\$1,147,771 of its registered share capital, respectively, for an amount in RMB equivalent to of US\$3,500,561 and an amount in RMB equivalent to US\$1,500,241, respectively.

On January 8, 2020, Cutia Shanghai increased its registered share capital to US\$10,086,747 as Suzhou 6 Dimensions and Suzhou Frontline II further subscribed for US\$882,591 and US\$378,253 of its registered share capital, respectively, for an amount in RMB equivalent to US\$7,000,000 and an amount in RMB equivalent to US\$3,000,000, respectively.

Upon completion of the aforesaid increases of registered share capital, Cutia Shanghai was owned by Suzhou 6 Dimensions, Suzhou Frontline II and Cutia HK as to approximately 35.3%, 15.1% and 49.6%, respectively. According to the articles of association of Cutia Shanghai in force during the period between 8 January 2020 to 17 November 2020, Cutia HK shall be entitled to appoint the majority of members of the board, and hence control the board of directors of Cutia Shanghai. Meanwhile, it was also provided that the board of directors is the highest authority of Cutia Shanghai and all directors should follow the relevant decisions of the shareholders' meeting or the Board of the Company. Therefore, merger accounting basis is adopted for Cutia Shanghai as Cutia HK controlled Cutia Shanghai, notwithstanding that it held less than 51% equity interests in Cutia Shanghai between 8 January 2020 to 17 November 2020.

### 3. *Corporate Restructuring*

On November 17, 2020, as part of the corporate restructuring, Suzhou 6 Dimensions and Suzhou Frontline II transferred their entire equity interests in Cutia Shanghai to Cutia HK, at a consideration of US\$10,500,561 and US\$4,500,241 respectively, which were fully paid up by Cutia HK on November 27, 2020. The aforementioned consideration was determined based on their total investment amounts in Cutia Shanghai which were fully paid up by Suzhou 6 Dimensions and Suzhou Frontline II by January 8, 2020. On December 2, 2020, Suzhou 6 Dimensions and Suzhou Frontline II exercised options to purchase certain Shares pursuant to the Option Agreements (as defined below) at a total consideration of US\$10,500,561 and US\$4,500,241 respectively, which were fully paid up on December 2, 2020, details of which are set out in paragraph headed “– Pre-IPO Investments – Overview – Series A-1 and Series A-2 Financing” below.

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### *4. Further Increase of Registered Share Capital*

On November 17, 2020, Cutia Shanghai increased its registered share capital to US\$90,086,747 as Cutia HK subscribed for an additional registered capital of US\$80,000,000 for US\$80,000,000.

Upon completion of the aforementioned increases in registered capital and transfer of equity in Cutia Shanghai, as of the Latest Practicable Date, Cutia Shanghai is indirectly wholly-owned by the Company.

#### ***Aurora Cutis***

Aurora Cutis was established as a limited liability company in the PRC on November 11, 2020 with an initial registered capital of US\$2,000,000 fully subscribed by Cutia HK.

On July 21, 2021, Cutia HK further subscribed for a total of US\$6,000,000 of the increased registered capital of Aurora Cutis. Upon completion of the aforementioned increase of registered capital and as of the Latest Practicable Date, Aurora Cutis is indirectly wholly-owned by the Company.

#### ***Cutia Wuxi***

Cutia Wuxi was established as a limited liability company in the PRC on December 4, 2020 with an initial registered capital of US\$30,000,000 fully subscribed by Cutia HK.

On May 13, 2022, Cutia HK subscribed for a total of US\$70,000,000 of the increased registered capital of Cutia Wuxi. Upon completion of the aforementioned increase of registered capital and as of the Latest Practicable Date, Cutia Wuxi is indirectly wholly-owned by the Company.

#### ***Chongqing Lehao***

Chongqing Lehao was established as a limited liability company in the PRC on August 24, 2022 with an initial registered capital of RMB5,000,000. Ms. Zou Lixia (鄒利霞) and Mr. Dai Gangze (戴剛澤) were interested in Chongqing Lehao as to 51% and 49% respectively at the time of its establishment. Both Ms. Zou Lixia and Mr. Dai Gangze are Independent Third Parties of our Company. Chongqing Lehao was engaged in the commercialization of dermatoses pharmaceutical products developed by third-party manufacturer and is expected to be engaged in the commercialization of dermatoses pharmaceutical products developed by our Group in the future in the PRC.

On November 1, 2022, Cutia Wuxi acquired the entire equity interests of Chongqing Lehao from Ms. Zou Lixia and Mr. Dai Gangze, at nominal considerations of RMB100 and RMB100 respectively, which was determined with reference to the fact that Chongqing Lehao had not commenced operation and its registered capital was not paid up as of the date of the

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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acquisition (the “**Acquisition**”). On the same day, Cutia Wuxi further subscribed for a total of RMB95,000,000 in the increased registered capital of Chongqing Lehao. Upon completion of the aforementioned share transfer and increase of registered capital and as of the Latest Practicable Date, Chongqing Lehao is indirectly wholly-owned by the Company. As of February 27, 2023, RMB6,500,000 in the registered capital of Chongqing Lehao was paid up by Cutia Wuxi. As of December 31, 2022, the assets and liability of Chongqing Lehao mainly represent right-of-use assets and lease liability for its leased office.

We acquired Chongqing Lehao for the purpose of obtaining the pharmaceutical business license (藥品經營許可證) to be held by Chongqing Lehao at the time of the Acquisition, which is required for the distribution of dermatoses pharmaceutical products in the PRC. The license was obtained by Chongqing Lehao soon after the Acquisition and will be valid until October 30, 2027. The Company is of the view that the Acquisition is in line with the business and growth strategy of the Group and will facilitate our commercialization of relevant dermatoses pharmaceutical products.

### **Acquisition during the Track Record Period**

On November 1, 2022, Cutia Wuxi acquired the entire equity interests of Chongqing Lehao from Ms. Zou Lixia and Mr. Dai Gangze, at considerations of RMB100 and RMB100 respectively. For details, see “History, Development and Corporate Structure – Our Subsidiaries – Chongqing Lehao”.

### **Employee Incentive Platform**

Our Company adopted the Pre-IPO Equity Incentive Plan on August 23, 2019. The purpose of the Pre-IPO Equity Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company’s shareholders generally. Upon exercise of the options and delivery of the share awards granted under the Pre-IPO Equity Incentive Plan, a total of 10,797,978 Shares (to be adjusted to 53,989,890 Shares upon the completion of Share Subdivision) under the options and share awards granted under the Pre-IPO Equity Incentive Plan will be issued to Aurora Cutis Limited, a company incorporated in BVI and wholly owned by Futu Trustee Limited, the trustee of of Aurora Cutis Employee Trust, the trust set up by the Company to facilitate the administration of the Pre-IPO Equity Incentive Plan. As of the Latest Practicable Date, none of the options has been exercised and none of the Shares under the share awards has been delivered under the Pre-IPO Equity Incentive Plan. For more details of the Pre-IPO Equity Incentive Plan, see “Appendix IV – Statutory and General Information – Equity Incentive Plans – 1. Pre-IPO Equity Incentive Plan”.

For more details of our Post-IPO Equity Incentive Plan, see “Appendix IV – Statutory and General Information – Equity Incentive Plans – 2. Post-IPO Equity Incentive Plan”.

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### PRE-IPO INVESTMENTS

#### Overview

We underwent the following rounds of pre-IPO investments, details of which are set forth below:

#### *Series A-1 and Series A-2 Financing*

On August 23, 2019, the Company allotted and issued 4,750,000 and 250,000 Series A-1 Preferred Shares to 6 Dimensions LP and 6 Dimensions Affiliates respectively, at US\$1 per Share, which were fully paid up in cash on August 23, 2019 (the “**6D Cayman Series A-1 Financing**”).

On the same day, the Company, Cutia HK and Cutia Shanghai entered into two option agreements (the “**Option Agreements**”) with Suzhou 6 Dimensions and Suzhou Frontline II, respectively, pursuant to which, Suzhou 6 Dimensions and Suzhou Frontline II were granted options to purchase an aggregate of (i) 5,603,200 and 2,401,371 ordinary Shares, respectively; (ii) 3,500,000 and 1,500,000 Series A-1 Preferred Shares, respectively; and (iii) 3,000,000 and 1,285,714 Series A-2 Preferred Shares, respectively, at considerations equivalent to either (a) the aggregated amount of their respective investments in Cutia Shanghai as of the date of the exercise of such options, or (b) their respective proportion of equity interest held in Cutia Shanghai as of the date of the exercise of such options multiplying the then valuation of Cutia Shanghai. The aforementioned mechanism of consideration determination were determined among the Company, Suzhou 6 Dimensions and Suzhou Frontline II on arm’s length basis taking into account then uncertainties involving expected investment amount and the valuation of Cutia Shanghai at the time when the option is exercised. On December 2, 2020, Suzhou 6 Dimensions and Suzhou Frontline II exercised such options at a total consideration of US\$15,000,802, equivalent to the aggregated amount of their respective investments in Cutia Shanghai as described in (a) above as agreed among the parties thereof, to purchase 8,004,571 ordinary Shares (at US\$0.0001 per Share), 5,000,000 Series A-1 Preferred Shares (at US\$1.00 per Share) and 4,285,714 Series A-2 Preferred Shares (at approximately US\$2.33 per Share and US\$10 million in total) of the Company.

As part of the onshore series A financing, between October 2019 to December 2020, Suzhou 6 Dimensions and Suzhou Frontline II invested a total of US\$10,500,561 and US\$4,500,241 in Cutia Shanghai, respectively. On December 2, 2020, as part of our corporate restructuring, pursuant to Option Agreements, Suzhou 6 Dimensions and Suzhou Frontline II exercised the options in full. For more details, see “– Corporate Development – Our Subsidiaries – Cutia Shanghai” above.



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### *Series B Financing*

On August 12, 2020, the Company entered into a share purchase agreement with, among others, YF Dermatology Limited (“**YF Capital**”), SCC Growth V 2020-C, L.P. (“**Sequoia Capital China Growth**”), Cormorant Private Healthcare Fund II, LP (“**Cormorant Private Fund**”), Cormorant Global Healthcare Master Fund, LP (“**Cormorant Global Fund**”), LBC Sunshine Healthcare Fund L.P. (“**LBC**”), Link Spirit Holdings Limited (“**Link Spirit**”), TK Derma Limited, CICC GF No. 1 Limited (“**CICC GF**”), and C&D No. 7 Holdings Limited (“**C&D No. 7**”), pursuant to which YF Capital, Sequoia Capital China Growth, Cormorant Private Fund, Cormorant Global Fund, LBC, Link Spirit, TK Derma Limited, CICC GF, C&D No. 7 subscribed for 8,000,000, 6,857,143, 904,686, 238,171, 800,000, 342,856, 1,714,286, 914,286 and 800,000 Series B Preferred Shares respectively, at considerations of US\$70,000,000, US\$60,000,000, US\$7,916,000, US\$2,084,000, US\$7,000,000, US\$3,000,000, US\$15,000,000, US\$8,000,000 and US\$7,000,000 respectively, which were fully paid up in cash on November 12, 2020 (the “**Series B Financing**”). The consideration for the Series B Financing was determined based on arm’s length negotiations between the Company and relevant Pre-IPO investors, taking into account that the Company (i) has successfully licensed in CU-10201, one of our Key Products, in April 2020, and (ii) was expected to acquire CU-20401, our Core Product, and to license in CU-40102, one of our Key Products, in 2020.

### *Series C Financing*

On September 8, 2021, the Company entered into a share purchase agreement with, among others, Fidelity China Special Situations PLC (“**FCSSP**”), Fidelity Funds, Fidelity Investment Funds, United Strength Neptune Limited (“**USNL**”) and Goldstream Capital Segregated Portfolio Company - Goldstream Healthcare Focus Fund SP (“**GHHFSP**”), pursuant to which FCSSP, Fidelity Funds, Fidelity Investment Funds, USNL and GHHFSP subscribed for 118,491, 1,077,459, 3,349,849, 984,923 and 151,527 Series C Preferred Shares respectively, at a consideration of US\$1,563,962.71, US\$14,221,381.34, US\$44,214,656.96, US\$13,000,000 and US\$2,000,000 respectively, which were fully paid up in cash on October 5, 2021 (the “**Series C Financing**”). The consideration for the Series C Financing was determined based on arm’s length negotiations between the Company and relevant Pre-IPO investors, taking into account that the Group achieved major clinical developments of CU-40102 and CU-10201, which entered into or obtained the approval for conducting Phase III clinical trials, and CU-20401, which entered into Phase I clinical trial.

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### Principal Terms of the Pre-IPO Investments

	Series A-1 Financing	Series A-2 Financing	Series B Financing	Series C Financing
Date of agreements	August 20, 2019	August 23, 2019	August 12, 2020	September 8, 2021
Date on which the investment was fully settled	August 23, 2019 <sup>(3)</sup> and December 2, 2020 <sup>(4)</sup>	December 2, 2020 <sup>(4)</sup>	November 12, 2020	October 5, 2021
Cost per Share <sup>(1)</sup> (approximation)	US\$1.00	US\$2.33	US\$8.75	US\$13.20
Discount to the Offer Price (approximation) <sup>(2)</sup>	93.11%	83.92%	39.71%	9.05%
Consideration paid (approximation)	US\$10,000,000	US\$10,000,000	US\$180,000,000	US\$75,000,000
Basis of determining the consideration paid	The consideration for the Pre-IPO investments were determined based on arm's length negotiations between the Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business.			
Corresponding post-money valuation of the Company (approximation) <sup>(5)</sup>	US\$30,000,000 <sup>(6)</sup>	US\$80,000,000 <sup>(6)(7)</sup>	US\$480,000,000 <sup>(7)(8)</sup>	US\$933,000,000 <sup>(8)(9)</sup>
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds for clinical development, commercialization, R&D, business development and general operation. As of the Latest Practicable Date, approximately 45% of the net proceeds from the Pre-IPO Investments has been utilized.			
Lock-up	Please refer to the subsection headed "Underwriting – Undertakings Pursuant to the Hong Kong Underwriting Agreement – Undertaking by the Existing Shareholders" for details.			
Strategic benefit from the Pre-IPO Investments to our Group	At the time of each of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the Pre-IPO Investors' investment knowledge and experience in healthcare sectors and the Pre-IPO Investments demonstrated the Pre-IPO Investors' confidence in the operation and development of our Group.			

*Notes:*

1. The cost per Share paid by the Pre-IPO Investors was calculated based on the amount of investment made by the relevant Pre-IPO Investors and number of Shares held by them immediately before the completion of the Share Subdivision.
2. The discount to the Offer Price is calculated based on (i) the assumption that the Offer Price is HK\$22.70 per Share, being the mid-point of the indicative Offer Price, assuming the conversion of the Preferred Shares into Shares on a one-to-one basis and the Share Subdivision has completed before completion of the Global Offering, and (ii) the exchange rate as set out in the section headed "Information about this Prospectus and the Global Offering".
3. On August 23, 2019, the Company allotted and issued an aggregate of 5,000,000 Series A-1 Preferred Shares to 6 Dimensions LP and 6 Dimensions Affiliates, respectively, which were fully paid up in cash on August 23, 2019.
4. On December 2, 2020, Suzhou 6 Dimensions and Suzhou Frontline II fully exercised all options they were granted to subscribe Series A-1 Preferred Shares and Series A-2 Preferred Shares, details of which are set out in subsection headed "– Corporate Development – Our Company".

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5. The amount of post-money valuation is calculated by dividing the total investment amount from the relevant Pre-IPO Investors by the percentage of shareholding of the relevant Pre-IPO Investors in the Company on fully diluted and as converted basis immediately after the relevant Pre-IPO Investment.
6. The valuation of the Company increased significantly during the period between our Series A-1 financing and Series A-2 financing, primarily based on the planning and prospects of the Group, including but not limited to the set-up of our management team and the anticipation to launch two product pipelines.
7. The valuation of the Company increased significantly during the period between our Series A-2 financing and Series B financing, primarily because the Group successfully licensed in or expected to license in several Key Products, such as CU-40102 and CU-10201.
8. The valuation of the Company increased significantly during the period between our Series B financing and Series C financing, primarily because the Group has achieved major clinical developments of CU-40102 and CU-10201, which entered into or obtained the approval for conducting Phase III clinical trials, and CU-20401, which entered into Phase I clinical trial.
9. The valuation of the Company increased significantly during the period between our Series C financing and the Listing, primarily because the Group (i) completed Phase I clinical trial for CU-20401, our Core Product, for the treatment of submental adipose accumulation in November 2022, and the trial data suggested that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation (submental fat), (ii) enrolled all patients for Phase III clinical trial for CU-10201 in June 2022, and (iii) submitted IND application to NMPA of CU-30101 in August 2022 and received the IND approval in November 2022.

### Special Rights of the Pre-IPO Investors

All Preferred Shares shall be converted into Shares of our Company immediately before the completion of the Global Offering on a one-to-one basis. All Shareholders (including our Pre-IPO Investors) are bound by (i) the terms of the existing memorandum and articles of association (as amended from time to time) of our Company which will be replaced by our Memorandum and Articles of Association effective upon the Listing, and (ii) the Company's second amended and restated shareholders agreement (the "**Shareholders Agreement**") which superseded all previous agreements among the contracting parties in respect of the shareholders' rights in our Company.

Pursuant to the Shareholders Agreement and the existing Memorandum and Articles of Association of our Company, Pre-IPO Investors have, among other rights, (i) information and inspection rights, (ii) redemption rights and liquidation rights, (iii) anti-dilution rights, (iv) rights of first refusal, and (v) protective provisions.

Pursuant to the Shareholders Agreement, all shareholders' special rights granted thereunder shall be automatically terminated upon Listing, except redemption rights which shall be automatically terminated upon the first submission of the listing application, provided that redemption rights shall be automatically and immediately reinstated and restored upon the earlier of (i) the date when the Company's listing application is withdrawn, rejected, returned or lapsed (whichever is earlier); and (ii) the date falling nine (9) calendar months after the first submission of the Company's listing application for a qualified public offering as defined in the Shareholders Agreement if such application has not been withdrawn, rejected, returned or lapsed before then.

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### Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and in March 2017 by the Stock Exchange.

### Information about the Pre-IPO Investors

The background information of our Pre-IPO Investors is set out below.

#### *Controlling Shareholders*

Our Controlling Shareholders comprise four investment funds, namely, 6 Dimensions LP, 6 Dimensions Affiliates, Suzhou 6 Dimensions and Suzhou Frontline II.

**6 Dimensions LP** is a limited partnership incorporated in the Cayman Islands on August 16, 2017, which is held by 37 limited partners with the largest limited partner holding approximately 19.72% of its partnership interest. **6 Dimensions Affiliates** is a limited partnership incorporated in the Cayman Islands on October 25, 2017, which is held by 14 limited partners with the largest limited partner holding approximately 33.96% of its partnership interest.

The general partner of 6 Dimensions LP and 6 Dimensions Affiliates is 6 Dimensions Capital GP, LLC. Dr. Zhu Qingsheng, Dr. Li Wei, Mr. Hu Edward and Dr. Chen Lian Yong, our non-executive Director and chairman of the Board, collectively control the voting power of 6 Dimensions Capital GP, LLC. Each of Dr. Zhu Qingsheng, Dr. Li Wei and Mr. Hu Edward is an Independent Third Party.

**Suzhou 6 Dimensions** is a limited partnership established in the PRC on August 4, 2017, whose general partner is Suzhou Tongyu Investment Management Fund L.P. (蘇州通毓投資管理合夥企業(有限合夥), “**Tongyu Investment**”). Suzhou 6 Dimensions is held by 13 limited partners with the largest limited partner holding approximately 19.45% of its partnership interest. **Suzhou Frontline II** is a limited partnership established in the PRC on March 8, 2016, whose general partner is Suzhou Fuyan Venture Investment Management Fund L.P. (蘇州富沿創業投資管理合夥企業(有限合夥), “**Fuyan VC**”). Suzhou Frontline II is held by 15 limited partners with the largest limited partner holding approximately 18.11% of its partnership interest.

Tongyu Investment and Fuyan VC are limited partnerships whose general partner is Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司), which is wholly-owned by Mr. Chen Ziqing. Mr. Chen Ziqing is the father-in-law of Dr. Chen Lian Yong, our non-executive Director and chairman of the Board.

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The respective investment committee of each of the 6 Dimensions Entities comprises of the same members and hence the investment decisions of the 6 Dimensions Entities are ultimately under the control of such members. The portfolio companies of the 6 Dimensions Entities include, among others, 111, Inc., CStone Pharmaceuticals, GRAIL, Inc., Hua Medicine, Ocumension Therapeutics, Viela Bio, Inc., IDEAYA Biosciences, Inc., TCR<sup>2</sup> Therapeutics, Inc., iTeos Therapeutics, Inc., Fulcrum Therapeutics, Inc. and Kymera Therapeutics, Inc., all of which are biotech or pharmaceutical companies. The assets under management of 6 Dimensions Entities amounted to RMB10 billion as of June 30, 2022.

### *YF Dermatology Limited*

**YF Dermatology Limited** is a private company incorporated under the laws of the BVI and is controlled by Yunfeng Fund III, L.P. (“**Yunfeng LP**”), whose general partner is Yunfeng Investment III, Ltd. (“**Yunfeng GP**”). Yunfeng GP is solely managed by Yunfeng Capital Limited (“**Yunfeng Capital**”), a private equity firm with a primary focus on investments in telecommunications, media and technology, healthcare, financial and logistics industries, which in turn is ultimately controlled by Mr. Yu Feng. To the best of our knowledge, each of YF Dermatology Limited, Yunfeng LP, Yunfeng GP, Yunfeng Capital and Mr. Yu Feng is an Independent Third Party. YF Dermatology Limited is considered a Sophisticated Investor of the Company.

### *Sequoia Capital China Growth*

**Sequoia Capital China Growth** is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of Sequoia Capital China Growth is SC China Growth V Management, L.P. (“**SCC Growth V**”), whose general partner is SC China Holding Limited (“**SC China**”). SC China is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. To the best of our knowledge, each of Sequoia Capital China Growth, SCC Growth V, SC China, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is an Independent Third Party. Sequoia Capital China Growth is considered a Sophisticated Investor of the Company.

### *Fidelity*

**FCSSP**, a closed-ended investment company incorporated in England and Wales, **Fidelity Investment Funds**, an open-ended investment company with variable capital incorporated in England and Wales, and **Fidelity Funds** (together with FCSSP and Fidelity Investment Funds, “**Fidelity**”), an open-ended investment company established in Luxembourg as a SICAV (Société d’investissement á capital variable), are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and/or its affiliates, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. To the best of our knowledge, each of FIL Investment Management (Hong Kong) Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is an Independent Third Party. FCSSP invests primarily in securities issued by companies listed in China and Chinese companies listed elsewhere with the investment objective of long-term

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capital growth. Fidelity Funds invests in securities in different geographical areas and currencies, with the investment objective of capital growth and/or income. Fidelity Investment Funds invests in securities in a wide range of markets with the investment objective of revenue and/or capital growth over the medium to long term. Fidelity is considered a Sophisticated Investor of the Company.

### *TK Derma Limited*

**TK Derma Limited** is a company incorporated under the laws of the BVI and wholly-owned by Shanghai Yingkang Health Consulting Co., Ltd. (上海澄康健康諮詢有限公司, “**Shanghai Yingkang**”). Shanghai Yingkang is wholly owned by Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司, “**Taikang Life**”), which is in turn wholly owned by Taikang Insurance Group Inc. (泰康保險集團股份有限公司, “**Taikang Insurance**”), a company which focuses on the insurance and asset management business. Taikang Insurance is a limited liability company with 21 shareholders, among which, the largest shareholder, Guardian Investment Holdings Co., Ltd. (嘉德投資控股有限公司), holds approximately 23.77% of its equity interests. To the best of our knowledge, each of TK Derma Limited, Shanghai Yingkang, Taikang Life and Taikang Insurance and all shareholders of Taikang Insurance is an Independent Third Party.

### *Cormorant Private Fund and Cormorant Global Fund*

**Cormorant Private Fund** is registered as a limited partnership incorporated under the laws of Delaware, U.S., with 82 limited partners, none of which holds more than 30% of the partnership interest in Cormorant Private Fund. **Cormorant Global Fund** is an exempted limited partnership incorporated in Cayman Islands with 136 limited partners and the largest limited partner holds approximately 10.9% of the partnership interest. Cormorant Private Fund and Cormorant Global Fund are managed by Cormorant Asset Management, LP (“**Cormorant**”), an investment advisor registered with the U.S. Securities and Exchange Commission, which is controlled by Ms. Chen Bihua. Founded in 2013 by Ms. Chen Bihua, Cormorant manages approximately US\$2.4 billion of assets across private and public companies, focusing on innovative biotech, medtech and life science companies. Cormorant has invested in a number of biotechnology or healthcare companies including but not limited to New Horizon Health Limited (6606.HK), Innovent Biologics, Inc. (1801.HK), Kangji Medical Holdings Limited (9997.HK) and Hansoh Pharmaceutical Group Company Limited (3692.HK). To the best of our knowledge, each of Cormorant Private Fund, Cormorant Global Fund, Cormorant and Ms. Chen Bihua is an Independent Third Party.

### *Hony Capital*

**Goldstream Capital Segregated Portfolio Company – Goldstream Healthcare Focus Fund SP (“GHFFSP”)** was established in June 2019 as a segregated portfolio of Goldstream Capital Segregated Portfolio Company, an open-ended exempted company incorporated in the Cayman Islands. GHFFSP has assets under management of approximately US\$22 million as of 30 June 2022, is primarily investing in equity and equity related securities of healthcare

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companies throughout the world, including the companies in the sectors of pharmaceuticals, biotechnology, healthcare services, health science, medical technology and supplies. GHFFSP is managed by Goldstream Capital Management Limited (“**GCML**”) which was incorporated in Hong Kong in 2011 and licensed by the Hong Kong Securities and Futures Commission with Type 4 (advising on securities) and Type 9 (Asset Management) licenses. GCML is a wholly-owned subsidiary of Goldstream Investment Limited (“**GIL**”), a company listed on the Stock Exchange (stock code: 01328) principally engaging in the provision of investment management services. According to GIL’s filings and disclosure on the Stock Exchange, the controlling shareholders of GIL includes Hony Gold Holdings, L.P., Hony Gold GP Limited, Hony Group Management Limited, Hony Managing Partners Limited, Exponential Fortune Group Limited and Mr. Zhao John Huan. To the best of our knowledge, each of GHFFSP, GCML, GIL and GIL’s controlling shareholders is an Independent Third Party.

**United Strength Neptune Limited** is a company with limited liability duly incorporated and validly existing under the laws of British Virgin Islands. USNL is wholly owned by United Strength Quantum Limited (“**USQL**”), which is in turn wholly owned by Hony Capital Group Limited, a wholly-owned subsidiary of Hony Capital Group, L.P. Hony Capital Group, L.P. is a limited partnership whose general partner is Hony Group Management Limited, a company controlled by Hong Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited (together with its affiliates, “**Hony Capital**”), which is owned by Mr. Zhao John Huan as to 49%. Hony Capital was founded in 2003 and is a leading investment management firm with approximately US\$13 billion under management currently. It has invested in over 100 companies in areas of pharmaceutical and healthcare, consumer products, food and beverage, entertainment, environmental protection and new energy, as well as machinery and equipment manufacturing. To the best of our knowledge, each of USNL, USQL, Hony Capital Group Limited, Hony Capital Group, L.P., Hony Group Management Limited, Hong Managing Partners Limited, Exponential Fortune Group Limited and Mr. Zhao John Huan is an Independent Third Party.

### ***CICC GF***

CICC GF is a limited company incorporated in Hong Kong and wholly owned by CICC Generation (Suzhou) Emerging Industries Equity Investment Fund Partnership (Limited Partnership) (中金啟辰(蘇州)新興產業股權投資基金合夥企業(有限合夥), “**CICC Generation Fund**”). The general partner of CICC Generation Fund is CICC Capital Management Co., Ltd. (中金資本運營有限公司), which is wholly-owned by China International Capital Corporation Limited, a company listed on both Shanghai Stock Exchange (stock code: 601995) and Hong Kong Stock Exchange (stock code: 03908). There are more than 20 limited partners in CICC Generation Fund, who are all professional investors interested in CICC Generation Fund as to less than 30%. To the best of our knowledge, each of CICC GF, CICC Generation Fund, CICC Capital Management Co., Ltd., China International Capital Corporation Limited and the limited partners of CICC Generation Fund is an Independent Third Party.

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China International Capital Corporation Hong Kong Securities Limited (“**CICC**”), the Sole Sponsor, is a wholly-owned subsidiary of China International Capital Corporation (International) Limited (中國國際金融(國際)有限公司), which is in turn a wholly-owned subsidiary of China International Capital Corporation Limited. As CICC Capital Management Co., Ltd., being the general partner of CICC Generation Fund which in turn wholly owns CICC GF, is wholly-owned by China International Capital Corporation Limited, CICC GF is an affiliate of CICC.

CICC confirms that it satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules. For further details, see “Appendix IV – Statutory and General Information – Other Information – Sole Sponsor” in Appendix IV to this Prospectus.

### **LBC**

**LBC** is an exempted limited partnership registered in the Cayman Islands managed by Lake Bleu Capital (Hong Kong) Limited. LBC is a professional investor specializing in investing in late-stage healthcare companies in Asia and the Greater China. The investment scope of LBC includes pharmaceuticals, biotech, medical devices, and healthcare services. The general partner of LBC is LBC GP Limited, an exempted company incorporated in the Cayman Islands. To the best knowledge of our Directors, none of LBC’s limited partners holds more than 10% of its partnership interest, and each of LBC, Lake Bleu Capital (Hong Kong) Limited and LBC GP Limited is an Independent Third Party.

### **C&D No. 7**

**C&D No. 7** is a company incorporated under the laws of the BVI and wholly owned by Xiamen C&D Emerging Industry Equity Investment No. 7 Partnership (Limited Partnership) (廈門建發新興產業股權投資柒號合夥企業(有限合夥), “**Xiamen C&D No. 7**”). The general partner of Xiamen C&D No. 7 is Xiamen Jianxin Investment Co., Ltd. (“**Xiamen Jianxin**”, 廈門建鑫投資有限公司), which is controlled by Xiamen Jianxing Capital Enterprise Management Consulting Co., Ltd. (廈門建興資本企業管理諮詢有限公司, “**Xiamen Jianxing**”) and in turn controlled by Cai Xiaofan. Xiamen Jianxing is interested in Xiamen C&D No. 7 as to approximately 0.1%, and Xiamen C&D Emerging Industry Equity Investment Co., Ltd. (廈門建發新興產業股權投資有限公司, “**Xiamen C&D**”) is interested in Xiamen C&D No. 7 as to approximately 99.9% as limited partner. Xiamen C&D is ultimately controlled by the State-Owned Assets Supervision and Administration Commission of Xiamen. To the best of our knowledge, each of Xiamen C&D No. 7, Xiamen Jianxin, and Cai Xiaofan is an Independent Third Party.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Link Spirit*

Link Spirit is jointly owned by Summer Master Fund Limited (“**Summer Master**”) and Summer Healthcare Fund, L.P. (“**Summer Healthcare**”). Both Summer Master and Summer Healthcare are investment funds controlled by Summer Capital Limited (“**SCL**”), a multi-strategy investment advisory company, focusing on advising investments in the healthcare, fintech and technology-driven consumption sectors. To the best of our knowledge, each of Link Spirit, Summer Master, Summer Healthcare and SCL is an Independent Third Party.

### **SHARE SUBDIVISION AND SHARE CONVERSION**

Pursuant to the Shareholders’ resolutions on or about May 30, 2023, each ordinary Share (whether issued or unissued) in the then authorized share capital of the Company with a par value of US\$0.0001 each will be subdivided into 5 Shares with a par value of US\$0.00002 each, such that immediately following the Share Subdivision, the authorized share capital of the Company is US\$50,000 divided into 2,500,000,000 Shares with a par value of US\$0.00002 each.

The Preferred Shares will be converted into Shares on a 1:1 basis by way of re-designation upon the Global Offering becoming unconditional.

### **PUBLIC FLOAT**

Shares held by the existing Shareholders (other than 6 Dimensions Entities, our Controlling Shareholders, YF Dermatology Limited and Sequoia Capital China Growth, our substantial shareholders under the Listing Rules) will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Over 25% of our Company’s total issued Shares with a market capitalization of substantially over HK\$375 million will be held by the public upon completion of the Global Offering in accordance with Rules 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### CAPITALIZATION

The below table summarizes the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan).

Shareholder	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Aggregate	Aggregate	Aggregate
						number of Shares as of the Latest Practicable Date	Shareholding percentage as of the Latest Practicable Date	Shareholding percentage immediately upon the completion of the Global Offering
6 Dimensions LP	7,604,342	4,750,000	-	-	-	12,354,342	21.85%	20.32%
6 Dimensions Affiliates	400,229	250,000	-	-	-	650,229	1.15%	1.07%
Suzhou 6 Dimensions	5,603,200	3,500,000	3,000,000	-	-	12,103,200	21.40%	19.90%
Suzhou Frontline II	2,401,371	1,500,000	1,285,714	-	-	5,187,085	9.17%	8.53%
YF Dermatology Limited	-	-	-	8,000,000	-	8,000,000	14.15%	13.16%
Sequoia Capital China Growth	-	-	-	6,857,143	-	6,857,143	12.13%	11.28%
Cormorant Private Fund	-	-	-	904,686	-	904,686	1.60%	1.49%
Cormorant Global Fund	-	-	-	238,171	-	238,171	0.42%	0.39%
LBC	-	-	-	800,000	-	800,000	1.41%	1.32%
Link Spirit	-	-	-	342,856	-	342,856	0.61%	0.56%
TK Derma Limited	-	-	-	1,714,286	-	1,714,286	3.03%	2.82%
CICC GF	-	-	-	914,286	-	914,286	1.62%	1.50%
C&D No. 7	-	-	-	800,000	-	800,000	1.41%	1.32%
FCSSP <sup>(1)</sup>	-	-	-	-	1,077,459 <sup>(2)</sup>	1,077,459	1.91%	1.77%
Fidelity Funds <sup>(1)</sup>	-	-	-	-	3,349,849 <sup>(2)</sup>	3,349,849	5.92%	5.51%
Fidelity Investment Funds <sup>(1)</sup>	-	-	-	-	118,491 <sup>(2)</sup>	118,491	0.21%	0.19%
USNL	-	-	-	-	984,923	984,923	1.74%	1.62%
GHHFSP	-	-	-	-	151,527	151,527	0.27%	0.25%
Other public Shareholders	-	-	-	-	-	-	-	7.00%
<b>Total</b>	<b>16,009,142</b>	<b>10,000,000</b>	<b>4,285,714</b>	<b>20,571,428</b>	<b>5,682,249</b>	<b>56,548,533</b>	<b>100.00%</b>	<b>100.00%</b>

*Note:*

- On December 16, 2021, in order to optimize its internal investment structure, Fidelity Investment Funds transferred an aggregate of 958,968 and 2,272,390 Series C Preferred Shares to FCSSP and Fidelity Funds. Both FCSSP and Fidelity Funds are affiliates of Fidelity Funds, details of which are set out in the paragraph headed “– Pre-IPO Investments – Information about the Pre-IPO Investors – Fidelity” in this section.

### PRC REGULATORY REQUIREMENTS

#### M&A Rules

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“**M&A Rules**”) jointly issued by MOFCOM, the SASAC, the STA, the CSRC, the SAIC (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this document are subject to the M&A Rules; and (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

#### SAFE Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, “**SAFE Circular 37**”), promulgated by SAFE on July 4, 2014 and which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知, “**SAFE Circular 75**”), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

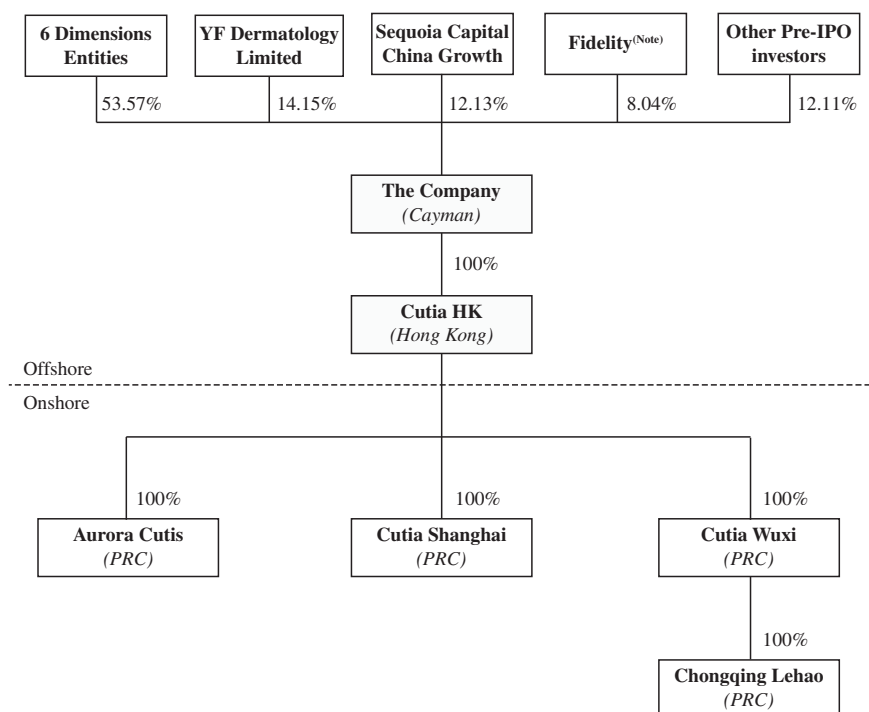
Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), “SAFE Circular 13”, promulgated by SAFE on February 13, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

Our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, none of the direct shareholders of the Company was PRC citizens or was subject to the SAFE Circular 37.

### OUR CORPORATE STRUCTURE

#### Corporate Structure Immediately Before the Completion of the Global Offering

The following chart sets forth our Group’s corporate structure immediately prior to the completion of the Global Offering, assuming that all of the Preferred Shares have been converted to ordinary Shares on a one-to-one basis:

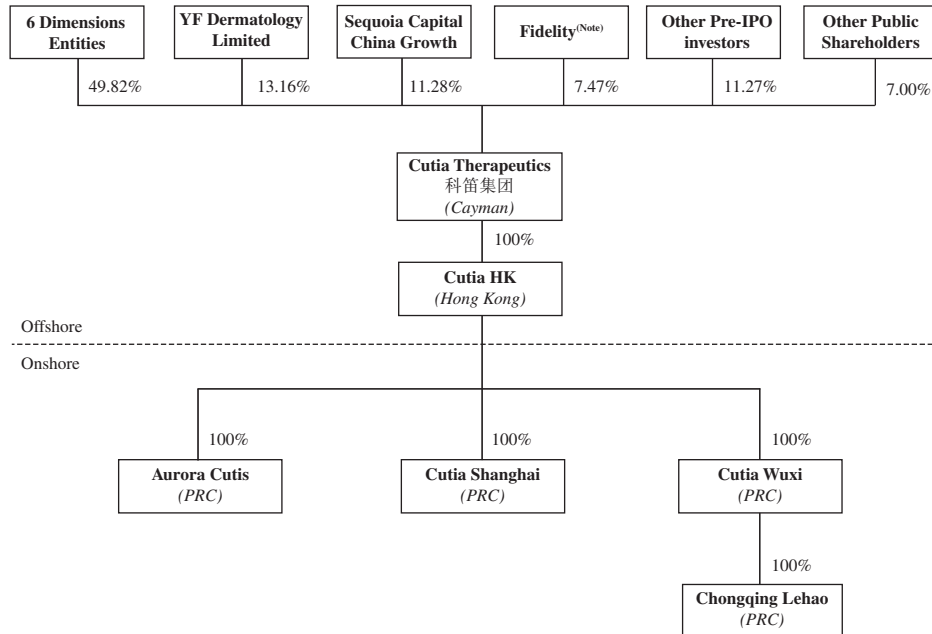


*Note:* Refers to FCSSP, Fidelity Funds and Fidelity Investment Funds.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### Corporate Structure Immediately Following the Completion of the Global Offering

The following chart sets forth our Group’s corporate structure immediately after completion of the Global Offering, assuming that (i) all of the Preferred Shares have been converted to ordinary Shares on a one-to-one basis, (ii) the Over-allotment Option is not exercised, and (iii) no further Shares are issued under the Pre-IPO Equity Incentive Plan:



*Note:* See “– Our Corporate Structure – Corporate Structure Immediately before the Completion of the Global Offering” in this section.

**OVERVIEW**

We are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. As of the Latest Practicable Date, we had built a broad portfolio of nine products and product candidates, targeting the four main sectors of the broader dermatology treatment and care market, namely localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. We are developing five clinical-stage and four pre-clinical-stage drug candidates. Among the five clinical-stage drug candidates, two products have commenced pilot commercialization in Lecheng, Hainan. We also distributed two commercialized products developed by overseas collaboration partners.

According to Frost & Sullivan, the size of China's broader dermatology treatment and care market has increased rapidly in recent years and is expected to grow further in the foreseeable future, primarily driven by the increasing prevalence of dermatology diseases in China, growing disposable income per capita of Chinese residents, rising skin disease and care management awareness and advancing dermatological therapies. According to Frost & Sullivan, the market size of the broader dermatology treatment and care market in China reached RMB471.8 billion in 2021, and is projected to grow to RMB1,037.5 billion in 2030, representing a CAGR of 9.2%. Despite the promising growth trend, the broader dermatology treatment and care market in China is still at a nascent stage and remains largely underpenetrated. Additionally, the current commercial offerings in China are not aligned with customer needs, and most dermatology companies in China lack the comprehensive capabilities and systemic operational management to timely deliver one-stop solutions covering the entire treatment and care cycle to customers. The combination of these factors created significant unmet customer needs and entry barriers in the market.

We are one of the few players in the broader dermatology treatment and care market in China equipped with fully integrated capabilities. We have applied a customer-centric approach to bolster our product candidates and expand our integrated capabilities to the entire broader dermatology treatment and care industry value chain. Our platform spans from the early phase of identifying demands, developing core technologies, managing clinical trials and product registrations, to the manufacturing and marketing of products. We believe our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through rapidly changing market needs, enabling us to improve pipeline viability and expedite product development cycle at lower costs.

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## BUSINESS




































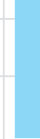
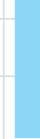
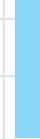
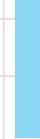
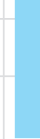
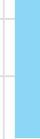
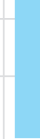





















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With robust in-house R&D capabilities and powered by our proprietary CATAME<sup>®</sup> technology platform, we have developed our product portfolio to meet the diverse unmet medical needs of physicians and patients. The CATAME<sup>®</sup> technology platform improves drugs to achieve topical or transdermal delivery by developing micron and nano-sized particulates, as well as evaluating formulation quality and stability, and performing cutaneous pharmacokinetic analysis. Our platform also helps design the most suitable product formats that are key to specific and successful drug delivery. Through this platform, we have built a competitive product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

Aside from our robust in-house R&D capabilities, we also strategically expand our pipeline through active collaborations and licensing from third parties. Leveraging our extensive collaborations and development capabilities, we believe we can serve as the partner-of-choice for biopharmaceutical companies that wish to tap into the rapidly growing China market and are looking for local expertise and network. We have established cooperative relationships with reputable scientific advisors and third party institutions to effectively develop new, clinically effective and commercially attractive product candidates and maintain a stable and risk-balanced pipeline.

The following chart summarizes the development stage of our major marketed products and product candidates as of the Latest Practicable Date.

# BUSINESS

Therapeutic Areas	Candidate <sup>1</sup>	Active Ingredients & Formulation	Indication	OTC / Prescription Drugs	Commercial Rights	Source	Pre-Clinical	IND	Phase I	Phase II	Phase III	Registration	Commercialization	Upcoming Milestone	Expected Commercial Launch	NMPA Registration Classification <sup>10</sup>
Localized Adipose Accumulation Management	CU-20401 <sup>1</sup> ★	Recombinant mutant collagenase	Submental Adipose Accumulation (Submental Fat) Abdominal Adipose Accumulation (Abdominal Fat)	Prescription drug	Asia	Acquired								Initiate Phase II in 3Q2023	2028	1
														Complete Phase I in 2024	2028	
Scalp Disease and Care	CU-40102 <sup>2</sup> ■	Topical finasteride spray	Androgenic Alopecia	Prescription drug	Greater China <sup>9</sup>	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-40101 <sup>4</sup>	Topical small molecule thyroid hormone receptor agonist liniment	Alopecia	Prescription drug	Asia	In-licensed								Complete Phase I in 2Q2024	TBD	1
	CU-40103	Topical minoxidil foam	Alopecia	OTC	Global	Self-developed								ANDA submission to NMPA in 3Q2024	2025	3
	CU-40104	Topical dutasteride agent	Androgenic Alopecia	Prescription drug	Global	Self-developed								IND application submission to NMPA in 4Q2024	TBD	2
Skin Disease and Care	CU-10201 <sup>5</sup> ■	Topical 4% minocycline foam	Acne Vulgaris	Prescription drug	Greater China <sup>9</sup>	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-10101 <sup>6</sup>	Topical novel small molecule agent	Atopic Dermatitis	Prescription drug	Greater China <sup>9</sup> , Japan, South Korea and SEA	In-licensed								IND application submission to NMPA in 2Q2024	TBD	1
	CU-10401 <sup>7</sup>	Topical tapinarof cream	Psoriasis	Prescription drug	Greater China <sup>9</sup> , Japan, South Korea and SEA	Acquired								ANDA submission to NMPA in 2026	2027	4
Topical Anesthesia	CU-30101 <sup>8</sup>	Localized topical lidocaine and tetracaine cream	Surface Dermatologic Operations	Prescription drug	Greater China <sup>9</sup>	Acquired								Commence Phase III in 2Q2023	2026	3

★ Denotes Core Product    ■ Denotes Key Products     Denotes products in registrational trials in China with pilot commercialization in Lecheng, Hainan



1. In addition to the product candidates listed below, we also entered into agreements for the distribution and marketing of CUP-MNDE and CUP-SFJH in Mainland China. CUP-MNDE has been commercialized by its original developer, Laboratoires Bailleul, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-MNDE in Mainland China while CUP-SFJH has been commercialized by its original developer, VML, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-SFJH in Mainland China.
2. We acquired from Rejuven Dermaceutical Co., Ltd., an Independent Third Party, in August 2020 all of the intellectual property and development results related to CU-20401 in Asia. For more details, see “Business – Collaboration and Licensing Arrangements – CU-20401 Agreement”. We have completed Phase I clinical trial for CU-20401 for subcutaneous adipose accumulation and expect to initiate a Phase II clinical trial of CU-20401 for subcutaneous adipose accumulation in the third quarter of 2023.
3. We in-licensed from Policheim S.A., a subsidiary of Almirall, S.A. (BME: ALM), an Independent Third Party, in November 2020 an exclusive, royalty-bearing, non-assignable and non-sublicensable license to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenic alopecia in Greater China. For more details, see “Business – Collaboration and Licensing Arrangements – CU-40102 Agreement”. CU-40102 is currently in a registration Phase III clinical trial in China and has commenced pilot commercialization in Lecheng, Hainan.
4. We in-licensed from TechnoDerma Medicines Inc., an Independent Third Party, in May 2020 an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indication of hair growth. For more details, see “Business – Collaboration and Licensing Arrangements – CU-40101 Agreement”.
5. We in-licensed from Foamix, an Independent Third Party, in April 2020 an exclusive, royalty-bearing license, under the patents, know-how and trademarks, with the right to sublicense to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China. For more details, see “Business – Collaboration and Licensing Arrangements – CU-10201 Agreement”. The Phase III bridging clinical trial of CU-10201 for moderate-to-severe acne vulgaris sponsored by us was initiated in September 2021. We completed the primary endpoint read-out for the Phase III bridging clinical trial in February 2023.
6. We in-licensed from Wuhan Yingnashi Pharmaceutical Co., Ltd., an Independent Third Party, in November 2019 the exclusive rights in relation to CU-10101 in Greater China, Japan, South Korea and SEA.
7. We acquired from Wuhan Yingnashi Pharmaceutical Co., Ltd., an Independent Third Party, in June 2020 all development results and intellectual property rights in relation to CU-10401 in Greater China, Japan, South Korea and SEA.
8. We acquired from Sparkmed Research, LLC, an Independent Third Party, in November 2019 all the intellectual property and ownership of CU-30101 in Greater China. We initiated the Phase III clinical trial in April 2023. For more details, see “Business – Topical Anesthesia”.
9. Including Mainland China, Hong Kong, the Macau Special Administrative Region and Taiwan.
10. As advised by the PRC Legal Advisers, for the product candidates that have not obtained IND approval, the NMPA Registration Classification is subject to the confirmation by the NMPA.

**Localized Adipose Accumulation Management Medication**

- *Core Product CU-20401.* CU-20401 is an acquired recombinant mutant collagenase that targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. We acquired CU-20401 from Rejuven Dermaceutical Co., Ltd. in August 2020. The route of administration of CU-20401 is subcutaneous injection. Fat cells are normally attached to the extracellular matrix composed of collagen network. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes. CU-20401 is a recombinant collagenase II with the E451D mutation. The recombinant with the E451D mutation does not affect enzyme-substrate binding, but significantly decreases enzymatic cleavage rate in vivo. CU-20401 is modified with reduced rate to catalyze the collagen degradation and is effective to reduce adipose accumulation with mild catalytic activity, thus reducing the adverse effects of wild-type collagenase, such as bruising and pain. The modification of E451D mutation for CU-20401 was carried out before the asset transfer of CU-20401. The formulation of CU-20401 includes recombinant mutant collagenase, trometamol, sucrose, calcium chloride, hydrochloric acid and water. We have completed Phase I clinical trial on human subjects for CU-20401 for submental adipose accumulation (submental fat) and are conducting another Phase I clinical trial for abdominal adipose accumulation (abdominal fat). The significance of the completed Phase I clinical trial is that its result suggested that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation (submental fat). As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate the Phase II clinical trial of CU-20401 for submental adipose accumulation (submental fat) in the third quarter of 2023 to evaluate its efficacy profiles.

**Scalp Diseases and Care**

- *Key Product CU-40102.* CU-40102 is an in-licensed product and the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China. We in-licensed CU-40102 from Polichem S.A. in November 2020. Finasteride can treat androgenetic alopecia in male patients by acting as a competitive and specific inhibitor of Type II 5-alpha reductase to inhibit the conversion of testosterone to DHT in the scalp. Growing prevalence of androgenetic alopecia in China presents market potential for scalp disease treatment and subsequent scalp care maintenance. CU-40102's topical finasteride formulation is applied by spraying onto the scalp. We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for CU-40102 for androgenetic alopecia in Mainland China, and we have commenced pilot commercialization of CU-40102 in Lecheng, Hainan.

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## BUSINESS

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- *CU-40101*. CU-40101 is an in-licensed topical liniment to treat androgenetic alopecia. We in-licensed CU-40101 from TechnoDerma Medicines Inc. in May 2020. It contains a potent small molecule hormone receptor agonist that binds to thyroid receptor in hair follicle cells and induces hair growth. CU-40101 is to be applied to the scalp directly, reducing systemic exposure to the drug and the associated adverse effects. CU-40101 is differentiated from current androgenetic alopecia treatment in its mechanism of action and the potential to be used in both male and female patients. We are currently running a Phase I dose escalation trial in China to evaluate the safety and tolerability of CU-40101 as a therapeutic agent in promoting hair growth in patients with androgenetic alopecia.
- *CU-40103*. CU-40103 is a self-developed topical minoxidil foam for the treatment of alopecia. The active ingredient, minoxidil, is widely used and proven efficacious in clinical practice for both male and female hair regrowth. CU-40103 is expected to adopt a differentiated foam formulation and become an addition to the existing minoxidil tinctures and liniments in the market. It has a less greasy texture that enables better user experience. We are currently conducting the pre-clinical study of CU-40103.
- *CU-40104*. CU-40104 is a self-developed topical dutasteride to treat androgenetic alopecia. CU-40104's topical formulation is being developed for direct dutasteride application to the site of action on the scalp. The topical formulation is expected to reduce systemic exposure and side effects as compared with oral dutasteride. We are currently conducting the pre-clinical study of CU-40104.

### **Skin Diseases and Care**

- *Key Product CU-10201*. CU-10201 is an in-licensed product and the first and only topical minocycline approved for acne vulgaris treatment globally and the only topical minocycline under clinical development in China. We in-licensed CU-10201 from Foamix Pharmaceuticals Ltd (“**Foamix**”) in April 2020. Foamix was a subsidiary of Menlo Therapeutics Inc. (Nasdaq: MNLO), whose corporate name was changed to VYNE Therapeutics Inc. (Nasdaq: VYNE) in late 2020. The FDA approved CU-10201 for the treatment of moderate to severe acne vulgaris in the U.S. in 2019 with Foamix as the market authorization holder and brand name of Amzeeq™. Minocycline exhibits broad-spectrum antibacterial activity. The currently available minocycline products are mostly oral medications. With a topical formulation, CU-10201 can be delivered to the acne lesions, thereby significantly reducing systemic exposure and incidence of associated adverse events as observed in the Phase III clinical trial in U.S. We are currently evaluating the therapeutic potential of CU-10201 for the treatment of moderate to severe acne vulgaris in a Phase III clinical trial in China.

- *CU-10101*. CU-10101 is an in-licensed non-hormonal, small molecule alternative drug targeting atopic dermatitis. We in-licensed CU-10101 from Wuhan Yingnashi Pharmaceutical Co., Ltd. in November 2019. For atopic dermatitis, the therapeutic options are limited and mainly include corticosteroids, calcineurin inhibitors, systemic immunosuppressants, and targeted biologics and small-molecule drugs. Topical steroids are the most commonly prescribed therapies for atopic dermatitis. Most targeted biologics and small molecule drugs for atopic dermatitis require subcutaneous or oral administration, where systemic exposure causes a higher risk of side effects and lower patient compliance than topical treatments. The first FDA-approved topical JAK inhibitor for the treatment of atopic dermatitis, opzelura (ruxolitinib) cream, developed by Incyte, can only be used for short-term and non-continuous chronic treatment of patients with mild to moderate atopic dermatitis. The non-hormonal properties of CU-10101 potentially reduce the side effects and restrictions associated with corticosteroids and it features a topical formulation that can reach the affected areas directly. We are currently conducting the pre-clinical study of CU-10101.
- *CU-10401*. CU-10401, an acquired aryl hydrocarbon receptor (AhR) targeted non-steroidal small molecule chemical drug in topical form, is a generic tapinarof cream targeting psoriasis currently being developed in pre-clinical stage. We acquired CU-10401 from Wuhan Yingnashi Pharmaceutical Co., Ltd. in June 2020. Current treatments for psoriasis include topical therapy, phototherapy and systemic therapies. The active ingredient of CU-10401, tapinarof, is reported to bind and activate AhR, decrease pro-inflammatory cytokines, and regulate skin barrier protein expression to promote skin barrier normalization. Compared with another commonly used topical drug, calcipotriol, tapinarof has a lower recurrence rate without risks of elevated serum calcium which can be caused by calcipotriol. We are currently conducting the pre-clinical study of CU-10401.

### **Topical Anesthesia**

- *CU-30101*. CU-30101 is an acquired localized lidocaine and tetracaine compound topical anesthesia cream. We acquired CU-30101 from Sparkmed Research, LLC. in November 2019. Compounded lidocaine and prilocaine formula is currently the only marketed topical compounded anesthesia cream in China. CU-30101's lidocaine and tetracaine combination formulations may produce rapid and long-lasting anesthetic effects due to its ingredients' pharmacokinetic properties. Lidocaine diffuses more rapidly, and more extensively than tetracaine, whereas tetracaine, a long-acting amino acid ester, is more lipophilic than lidocaine and can be concentrated in the topical stratum corneum. Systemic absorption of the anesthetic component ingredients is also limited from the topical cream formulation. We received the NMPA's IND approval for CU-30101 in November 2022 and initiated the Phase III clinical trial in April 2023.

### Distributed Products

- *CUP-MNDE*. CUP-MNDE is a commercialized, over-the-counter minoxidil spray indicated for alopecia developed by Laboratoires Bailleul International S.A. We have exclusive distribution rights to develop the distribution and marketing of CUP-MNDE in Mainland China. CUP-MNDE is refreshing to be applied to the scalp by its low concentration propylene glycol formulation technology. The key ingredient of CUP-MNDE is minoxidil, which can promote hair growth by relaxing the muscular walls of blood vessels, allowing blood, nutrients and oxygen to flow more easily to the scalp and hair follicles. CUP-MNDE has been commercialized by its original developer Laboratoires Bailleul in Europe and according to Frost & Sullivan, it is the best-selling minoxidil brand in terms of volume sold in Italy, Portugal and Belgium in 2021.
- *CUP-SFJH*. CUP-SFJH is a commercialized hair growth serum featuring a non-hormonal formula of natural plant extracts developed by Van Montfort Laboratories B.V. (“VML”). We have exclusive distribution rights to develop the distribution and marketing of CUP-SFJH in Mainland China. CUP-SFJH is used for hair loss prevention and hair quality improvement. With its liposome technology, CUP-SFJH can transport nutrients to the root of the hair follicles through the double-layer phospholipid membrane wrapping.

### STRENGTHS

We believe the following strengths differentiate us from our competitors.

#### **Well-positioned in the Broader Dermatology Treatment and Care Industry to Capture Market Potential**

We are committed to providing comprehensive solutions across different therapeutic areas within the rapidly growing broader dermatology treatment and care market in China. China’s broader dermatology treatment and care market grew from RMB300.4 billion in 2017 to RMB471.8 billion in 2021, representing a CAGR of 11.9%, and is expected to grow to RMB670.2 billion in 2025 and RMB1,037.5 billion in 2030, representing a CAGR of 9.1% from 2025 to 2030, according to Frost & Sullivan. Despite the rapid growth, the per capita annual spending on broader dermatology treatment and care in China remains low due to the lack of comprehensive, effective and alternative solutions. In 2021, the per capita expenditure on broader dermatology treatment and care in the U.S., Japan and South Korea reached RMB1,828.0, RMB1,417.3 and RMB1,406.9, respectively. By comparison, the per capita expenditure of broader dermatology treatment and care in China in 2021 was RMB334.0.

According to Frost & Sullivan, China’s broader dermatology treatment and care market is distinguished by a unique set of consumer behaviors, including higher willingness to pay, more frequent repurchase pattern and higher yet unsatisfied demand for comprehensive, effective and alternative product offerings. Due to the nature of dermatology conditions, patients experiencing different stages of the disease will also require differentiated medications, sometimes in combination, to realize optimal results.

Furthermore, there has been a misalignment between product offerings and medical needs in China's broader dermatology treatment and care market. We believe that some marketed products are unable to either effectively address dermatological problems specific to the Chinese population or provide distinctive and comprehensive solutions specific to each treatment stage. In addition, a large number of dermatology companies in China do not possess full platform capabilities from early drug discovery to commercialization, so it has been challenging for them to quickly respond to shifts in market demand and deliver comprehensive solutions to customers efficiently. This ultimately leads to unmet customer demand and a proliferating market with a group of products with little or no apparent clinical benefit. Alternative and effective products are urgently needed for the growing Chinese population with increasing per capita disposable income.

We are one of the few players in the broader dermatology treatment and care market in China equipped with fully integrated capabilities. We have a comprehensive product pipeline of nine products and product candidates, including five clinical-stage and four pre-clinical stage drug candidates to fulfill market demands. Our success is attributable to our integrated capabilities, continuous innovation driven by our customer-centric philosophy and proprietary CATAME<sup>®</sup> technology platform, comprehensive pipeline and experienced management team. We believe that we are well-positioned to capitalize on the projected growth of China's broader dermatology treatment and care market and continue to scale our business and expand our market share.

### **Integrated Capabilities Covering the Entire Broader Dermatology Treatment and Care Industry Value Chain**

Since our inception, we have taken a customer-centric approach and expanded our operational capabilities around providing safe and comprehensive therapeutic solutions. We have designed a full value chain product development framework and built our R&D, registration, commercialization and product optimization strategies based on unmet medical needs. Our multi-disciplinary teams come from diverse backgrounds and are well equipped with insightful industry know-how and proven track record that allow us to tap into critical product development stages to improve product viability and success rate. We expanded our product portfolio through in-house R&D as well as capitalizing on opportunities to license-in alternative product candidates.

At the product discovery stage, our R&D team conducts in-depth market research capitalized on our broad network across the medical industry and academia, in order to further confirm medical needs and provide insights for our product development. We also benefit from the network and industry resources of our prominent shareholders with deep biotech expertise. Our business development team has a track record of successfully bringing in drug candidates with high clinical value to expand and complement our pipeline. At the clinical development stage, we believe our efficient clinical operation capabilities and fast registration strategy lay solid foundations for prompt commercial launch. As of the Latest Practicable Date, we had

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advanced five candidates into clinical trials in China. At the commercial stage, our experienced sales team fully understands customer needs and is able to conduct targeted marketing to acquire users and increase customer stickiness.

For manufacturing, the construction of a commercial-scale GMP factory with three drug product production lines in Jiangsu province was completed in February 2023. The three production lines cover topical cream, ointment, aerosol, and foam products with an annual production capacity of approximately a total of five million doses of CU-10101, CU-40103, CU-40104, CU-10401 and CU-30101. Our factory has commenced operation and we believe the production capacity of this factory can support our clinical trials and near-term commercialization plans for our drug candidates. The flow and control of the entire manufacturing facility are designed to be compliant with the latest cGMP requirements so that our production can meet the clinical and marketing approval requirements of various drug regulatory authorities, including the NMPA, FDA and European Medicines Agency.

We have adopted a well-tailored commercialization strategy to penetrate the broader dermatology treatment and care market in China. We believe that our commercialization capabilities will continue to be robust driven by our deep expertise in sales and marketing, close collaboration with e-commerce platforms, and growing sales and distribution network. We are in preparation for launching our alternative pipeline products and building a medical commercialization and marketing platform to nurture strong strategic cooperative relationships with top hospitals.

The successful pilot commercialization of our Key Product CU-10201 is a recent demonstration of our fully integrated capabilities. We initially identified an unmet need for acne treatment in China through academic research and validated that a formulation change to the proven molecule minocycline could be the potential solution. Leveraging our broad network of relationships with pharmaceutical companies and deep expertise in transdermal technology, we started the conversation with Vyne Therapeutics in 2019 for its minocycline portfolio and were successful in obtaining exclusive development and commercialization rights for CU-10201 in Greater China in April 2020. We strategically designed and diligently ran the clinical trials of CU-10201 with the aim of achieving efficient execution and optimal data quality. We maintained constructive communications with the regulatory authorities to seek to accelerate the approval process of CU-10201. In Lecheng, Hainan, we brought CU-10201 from initial assessment to pilot commercialization in approximately three months.

**Continuous Innovation Driven by Our Customer-centric Philosophy and Proprietary CATAME® Technology Platform**

Our continuous innovation is driven by our customer-centric philosophy, in-depth scientific insights, and knowledge of the latest clinical practices and unmet medical needs. We have strategically expanded our R&D horizon and product offerings by applying our accumulated skills and product development capabilities in new molecule synthesis and transdermal drug delivery. Our efficient R&D process is supported by a seamless collaboration of experienced internal teams and external scientific committees, resulting in an end-to-end R&D capability across the industry value chain.

Our CATAME® technology platform is a comprehensive platform that facilitates the development of products that cover major types of dermatological diseases. The CATAME® platform includes Colloidal-Emulsification-Active Encapsulation (CEAE) platform, Aerosol (ARS) platform, Transdermal Delivery (TDD) platform, Actives & Formulation Evaluation (AFE) platform, Micro/Nano-Particulates & Self-Assembly (MiSA) platform and Ex vivo & Efficacy Evaluation (EVEE) platform. Our CATAME® technology platform helps customize transdermal delivery capabilities for drugs, develop micron and nano-sized particulates, evaluate formulation quality and stability and perform cutaneous pharmacokinetic analysis. On the other hand, our platform also helps design the most suitable product formats that are key to specific and successful drug delivery. Through this platform, we have built a competitive product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

Our experienced in-house R&D team comes from a variety of medical backgrounds and has diverse and in-depth knowledge that is critical to strengthening our R&D capabilities in dermatology, topical and transdermal drug formulation and delivery, and synthesis of novel molecules and assemblies. Our integrated team spans market intelligence, drug discovery, clinical development, quality control, business development and regulatory affairs. We benefit from their deep insights into the sciences and the market in developing products that strive to meet our customers' unmet needs. As of the Latest Practicable Date, we had obtained six IND approvals and are running and preparing three Phase III clinical trials. We have accumulated comprehensive experience and strong ability to complete the entire drug development process from pre-clinical research to clinical development and to NDA filings.

We have established relationships with reputable scientific advisors and third-party institutions where we closely collaborate with experienced physicians to identify and develop commercially attractive product candidates that better address unmet medical needs in the broader dermatology treatment and care industry. For example, the principal investigators for the clinical trials of our skin disease products include prominent acne and pigmentosis specialists in China and members of the Chinese Medical Association.

Building upon our customer-centric philosophy and integrated technology platforms, we demonstrated our ability for continuous innovation by establishing a pipeline of nine products and product candidates within three years of inception, of which five products are in registrational clinical trials.



## **Comprehensive Pipeline Captures Large Market Potential and Unmet Needs**

We have designed and assembled a comprehensive and differentiated portfolio to target diseases with highly unmet medical needs across the four major dermatological therapeutic areas: localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. Our product matrix provides comprehensive solutions to address the diverse unmet medical needs from consumers or patients during different states of the disease cycle. Additionally, our comprehensive offering includes OTC products that address distinctive demands from a wide range of population groups as their needs evolve with disease progression or improvement to gain customer stickiness. In addition, our portfolio is a risk-balanced combination of commercialized products, alternative products with proven pathways candidates.

### ***Scalp Diseases and Care***

Currently widely accepted therapies for scalp diseases include minoxidil, finasteride and cyproterone, which have a number of treatment restrictions. Finasteride is only available in oral form with potential undesired side effects and is indicated for male patients only. The primary concern of current topical minoxidil offerings is their unsatisfactory efficacy, uncertain mechanism and accelerated hair loss during the initial treatment stage. We believe that our scalp disease products are well positioned to address these treatment limitations and capture the growing scalp diseases and care market in China, the size of which is expected to reach RMB203.5 billion in 2030, according to Frost & Sullivan. We have developed six comprehensive and complementary topical products and product candidates for scalp diseases and care, including our Key Product CU-40102 (topical finasteride spray), CUP-MNDE (topical minoxidil spray), CU-40103 (topical minoxidil foam), CU-40101 (topical small molecule hormone receptor agonist liniment), CU-40104 (topical dutasteride agent) and CUP-SFJH (topical natural plant extracts serum) to cover the entire cycle of scalp diseases. Our scalp diseases and care product offerings form a variety of treatment regimes and care solutions that cater to consumers with different needs. Previous studies showed that combination of minoxidil and finasteride, regardless the concentration level, indicates a greater improvement of hair density compared to topical minoxidil alone. We believe CU-40102 and CUP-MNDE complement each other and maximize synergy in the treatment of alopecia.

Our key scalp disease product CU-40102 is the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China. Finasteride is currently the mainstream and the only available oral form treatment for alopecia in China but is often associated with systemic side effects. Unlike oral finasteride, CU-40102's topical formulation allows patients to apply the drug directly to the surface of the scalp, thereby maintaining a high concentration at the affected site while reducing the side effects commonly associated with oral formulations. CU-40102's topical formulation is difficult to develop or replicate due to finasteride's distinctive chemical properties, creating a high technology barrier. In the registrational Phase III clinical trials sponsored by Polichem S.A., data showed that a large percentage of patients receiving CU-40102 treatment improved their hair condition compared to the placebo group. Our Phase

III clinical trial of CU-40102 for the treatment of androgenetic alopecia in Mainland China has completed patient enrollment. We expect to complete primary endpoint read-out for the Phase III clinical trial in the fourth quarter in 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in 2024.

CUP-MNDE, another of our scalp disease products, is a commercialized OTC minoxidil spray. Minoxidil is an FDA-approved medication that improves hair growth and slows down the alopecia process. Topical minoxidil has achieved the highest market share of 18.2% for the treatment of scalp disease in the U.S., where it is the most commonly used topical drug to treat alopecia in the U.S. The key ingredient of CUP-MNDE, minoxidil, promotes hair follicle growth and is refreshing to be applied to the scalp. Compared to other topical forms, our minoxidil spray improves the solubility of minoxidil, which facilitates the sustained absorption of the active ingredient on the scalp. It also ensures accurate dosing and enhances transdermal penetration and follicular delivery to achieve the desired outcome.

### ***Skin Diseases and Care***

Current treatments for common skin diseases include, among others, glucocorticoid, antibiotics and isotretinoin. However, due to drug resistance from long treatment duration, the lack of novel and effective treatments and the unclear pathology of skin diseases, current therapies are unlikely to generate meaningful or durable response and patients are generally prone to relapse. Additionally, common side effects associated with glucocorticoid, antibiotics and isotretinoin are likely to cause poor patient compliance. We are currently developing three skin disease products, including Key Product CU-10201 for the treatment of moderate to severe acne vulgaris, CU-10101 for the treatment of atopic dermatitis and CU-10401 for the treatment of psoriasis, to capture the growing market of skin diseases and care products in China, which is expected to reach the size of RMB740.2 billion in 2030.

Our key skin diseases and care product CU-10201, is the first and only topical minocycline approved for acne vulgaris treatment globally and the only topical minocycline under clinical development in China. Minocycline is a tetracycline antibiotic used to treat bacterial infections and acne vulgaris. Compared to other major anti-acne antibiotics, topical minocycline foam has fewer side effects, a lower rate of drug resistance, and likely higher patient compliance. In addition, the highly lipophilic nature of minocycline allows it to concentrate in hair follicles and sebaceous glands. In a U.S. Phase III randomized study sponsored by Foamix Pharmaceuticals, Inc., CU-10201 was shown to have superior improvement in inflammatory lesion count at week 12 and consistently reduced inflammatory acne over the 12-week study period in the CU-10201 treatment arm compared with the placebo treatment arm. CU-10201 has also demonstrated its potential to overcome side effects commonly seen in conventional oral drugs due to lower systemic exposure. In a pharmacokinetic study run by Foamix Pharmaceuticals, Inc., minocycline exposure was 730 to 794 times lower after topical application of four grams per day of the maximum use dose of CU-10201 than after a single oral dose of solodyn, a minocycline hydrochloride drug. We, as the sponsor, are currently conducting a bridging Phase III clinical trial for CU-10201, and we

have commenced pilot commercialization of CU-10201 in Lecheng, Hainan. We completed the primary endpoint read-out for the Phase III clinical trial in February 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.

### ***Localized Adipose Accumulation Management Medication***

Current treatment for localized adipose accumulation includes, among others, localized adipose accumulation management medications, energy-based fat reduction procedures and liposuction procedures. Compared with other treatment procedures, localized adipose accumulation management medication is characterized by low invasiveness with high patient compliance, less postoperative pain, ease of use, and speedy recovery. According to Frost & Sullivan, there are no approved localized adipose accumulation management medications in China. We believe that CU-20401 is well-positioned to capture the growth of the market size of localized adipose accumulation management medications in China for labelled use, which is expected to reach RMB2,439.9 million in 2030, according to the same source.

Our Core Product, CU-20401, is a recombinant mutant collagenase that targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. CU-20401 adopts an alternative mechanism of action where it can act selectively on fat cells attached to the extracellular matrix of adipose tissue. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes. It also releases the collagen network surrounding the fat cells, thereby inducing their apoptosis and achieving a sculpting effect while reducing treatment pain. The mechanism also differentiates CU-20401 from its competing products which are largely deoxycholic acid based solutions that cause indiscriminate destruction of fat and surrounding cells and result in as swelling, bruising, pain and numbness at the treatment site. Our completed Phase I clinical data shows that CU-20401 can reduce excessive adipose accumulation, a condition in which body fat has accumulated to the extent that it affects one's appearance and might impair health. As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate the Phase II clinical trial of CU-20401 for submental adipose accumulation (submental fat) in the third quarter of 2023. As a local and minimally invasive treatment, CU-20401 exhibited low systemic drug exposure in blood.

### ***Topical Anesthesia***

Topical anesthesia offers better patient comfort and eliminates the use of invasive needles as well as associated pain and risk such as distortion of wound margin and intravascular injection, demonstrating their potential for broader and safer clinical application. Currently, only two topical anesthetics are approved for puncture and superficial dermatological procedures and more than 25 topical anesthetics are under development in China, according to Frost & Sullivan. Most of those competing are compounds of lidocaine and prilocaine. CU-30101 is a generic lidocaine/tetracaine compound. Studies have shown that lidocaine and tetracaine cream treatments provide better pain relief, with more subjects (75%) reporting

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adequate pain relief compared to subjects (67.5%) who received lidocaine and prilocaine treatments after 30 minutes of topical anesthesia treatment. In addition, the application of lidocaine/prilocaine cream requires plastic occlusion, whereas lidocaine/tetracaine cream is self-occlusive, which is more convenient for the user. We believe those advantages enable CU-30101 to compete with other approved and clinical-stage topical anesthesia in China, and it may capture the topical anesthesia market in China, the size of which is expected to reach RMB2,690.4 million in 2030, according to Frost & Sullivan.

### **Experienced Management Team**

Members of our management team, who have extensive multinational pharmaceutical company and multi-disciplinary backgrounds and rich domestic experiences, are critical to our success.

Our founder, executive Director and chief executive officer, Ms. Zhang Lele, has worked in the pharmaceutical industry for approximately 20 years, accumulating a wealth of first-hand experience in the industry with a proven track record of success. She served as an assistant business development manager at Shanghai Novartis Trading Co., Ltd (上海諾華貿易有限公司), head of strategic alliances at Eisai China Inc. (衛材(中國)藥業有限公司) and head of strategic projects department at Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司).

Our executive Director and chief financial officer, Mr. Huang Yuqing, has rich experience in the investment and capital market fields. Mr. Huang previously served as the lead analyst for Greater China Healthcare Research at Jefferies Hong Kong Limited and was recognized as one of the Top Three Best Analysts in the healthcare industry by the Institutional Investor All-China Research Team Survey in 2017. Mr. Huang also worked as the chief financial officer and chief business officer of Kintor Pharmaceutical Limited (9939).

Our chief medical officer, Mr. Zhu Qi, has over 20 years of experience at multinational pharmaceutical companies, including Roche, Biogen, AbbVie and Menarini, with rich experience in pharmaceuticals. He is well-versed in product life cycle management, including new product evaluation and development, registrational clinical trial, post-market study and pharmacovigilance.

Our senior vice president of R&D department, Dr. Lei Lei, is a senior specialist in pharmaceutical development. Dr. Lei has rich experience in the development of medical products at multinational pharmaceutical companies. He was the former principal scientist at Shanghai Johnson & Johnson Pharmaceuticals Ltd (上海強生製藥有限公司). Dr. Lei authored more than 20 international academic papers and is leading a Shanghai New Drug Support Fund Project, a science collaboration project with The Science and Technology Commission of Shanghai Municipality for innovative drug development on scalp diseases.

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Our senior vice president of regulatory affairs, Ms. Zhang Chunna, has approximately 10 years of experience as the head of registration at a multinational pharmaceutical company. She is experienced with drug registration regulation and led the registration of multiple products. She also has seven years of experience in developing novel drug delivery system and pharmaceutical industrialization and participated in the project of the State High-Tech Development Program (國家高技術研究發展計劃).

Our senior vice president of manufacturing and quality control department, Ms. Xu Jingxin, has more than 20 years of experience in quality assurance at multinational pharmaceutical companies and leading domestic companies, including Pfizer, BeiGene and AstraZeneca. With her exceptional quality and risk management capabilities, she has led the quality control and management upgrade of production facilities.

Our senior vice president of finance and integrated management department, Mr. Wu Jiaru, has rich experience in finance management and analysis. Mr. Wu is primarily responsible for decision making and executive oversight of finance, information technology and procurement operations. Mr. Wu previously served as a senior system controller in Giti Tire (China) Investment Company Ltd. (佳通輪胎(中國)投資有限公司) and a reporting expert in KaVo-Sybron Dental (Shanghai) Co. Ltd (卡瓦盛邦(上海)牙科醫療器械有限公司).

Our management team have rich cross-industry experience, covering numerous disciplines, including finance, CMC and pharmaceutical with an average industry experience of over 10 years. Their industry insights enable us to solidify our market position and optimize our performance.

We are also supported by our strong external scientific committees consisting of leading scientists, physicians and industry veterans.

## STRATEGIES

### **Focus on Customer Needs and Utilize Integrated Industrial Capabilities to Provide Alternative Dermatology Management Solutions**

Leveraging our integrated capabilities across the entire broader dermatology treatment and care industry, we are dedicated to providing safe and comprehensive dermatology treatment and care solutions. We will continue to strengthen our inter-department and external collaborations. We will also enhance collaborations with our partners to seek new opportunities for expanding our product pipeline.

We aim to provide one-stop and comprehensive dermatology management solutions to our customers. In particular, currently, there are few adipose tissue management products approved by NMPA, but those are cosmetic products that are approved for topical application only. In contrast to cosmetics products, our Core Product CU-20401 is developed to be a medical product prescribed by qualified medical institutions. It is indicated for obesity, overweight, or other localized adipose accumulation associated metabolic diseases into human body in China.

The continued strengthening and expansion of our CATAME<sup>®</sup> technology platform is one of our top priorities. With deep insights into the mechanisms of dermatological diseases and medical needs, our R&D strategy focuses on topical and transdermal formulation as well as dermal drug delivery technologies, which enable us to meet customer demands precisely, safely and rapidly. We intend to explore other potential alternative platform technologies, which are easily scalable to continuously empower our new product offerings. Through such platform technologies, we believe we will be able to develop new products with higher efficiency, lower cost and reduced scientific and commercial risks. With accelerated product iterations, we are better positioned to maintain our competitive edges.

We will strengthen our market demand identification capabilities. Our R&D, medical and marketing teams will work together to identify unmet needs and changes in customer preferences through a combination of macro and micro models such as data mining and market research to guide our product development strategies. We will also enhance our manufacturing capacities and multi-dimensional commercialization capabilities. Other than the manufacturing facilities under construction, we plan to enhance our production capacities in line with the expansion of our product pipeline. Unique features of the broader dermatology treatment and care industry require us to possess strong sales and marketing capabilities through enhanced relationships with customers, patients, physicians and medical institutions. We will expand our external collaboration network, strengthen our sales and marketing capabilities, and work closely with renowned physicians to conduct product demonstrations and provide training to them.

To ensure execution across corporate functions, we will continuously recruit, develop and retain talents with a spectrum of integrated skills. Our targeted talents including experienced scientific, medical or business practitioners.

### **Continue to Advance the Clinical Development of Our Product Portfolio**

Our R&D, medical and registration teams will continue to work closely together to develop tailored and efficient clinical development programs for our product candidates, which allows us to efficiently commercialize products. In particular:

#### ***Localized Adipose Accumulation Management Medication***

- *Core Product CU-20401.* We completed a Phase I clinical trial of CU-20401 for the treatment of submental adipose accumulation (submental fat) in November 2022 and are conducting another Phase I clinical trial for abdominal adipose accumulation (abdominal fat). As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate the Phase II clinical trial of CU-20401 for submental adipose accumulation (submental fat) in the third quarter of 2023.

***Scalp Diseases and Care***

- *Key Product CU-40102.* We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for the treatment of androgenetic alopecia for CU-40102 in China and we have commenced pilot commercialization of CU-40102 in Lecheng, Hainan. We expect to complete the primary endpoint read-out for the Phase III clinical trial in the fourth quarter in 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.
- *CU-40101.* We are currently conducting a Phase I clinical trial for CU-40101. We expect to complete the Phase I clinical trial in the second quarter of 2024.
- *CU-40103.* We are currently conducting the pre-clinical study of CU-40103. We plan to submit an ANDA to the NMPA in the third quarter of 2024.
- *CU-40104.* We are currently conducting the pre-clinical study of CU-40104. We plan to submit an IND application to the NMPA in the fourth quarter of 2024.

***Skin Diseases and Care***

- *Key Product CU-10201.* We are currently conducting a Phase III clinical trial for CU-10201, and we have commenced pilot commercialization of CU-10201 in Lecheng, Hainan. We completed the primary endpoint read-out for the Phase III clinical trial in February 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.
- *CU-10101.* We are currently under the pre-clinical stage for CU-10101. We plan to submit an IND application to the NMPA in the second quarter of 2024.
- *CU-10401.* We are currently conducting the pre-clinical study of CU-10401. We plan to submit an ANDA to the NMPA in 2026.

***Topical Anesthesia***

- *CU-30101.* We received the NMPA's IND approval for CU-30101 in November 2022. We initiated the Phase III clinical trial in April 2023 and plan to submit an NDA to the NMPA in 2025.

### Expand Our Ecosystem Coverage and Build Our Commercialization Team

We will continue to expand our ecosystem coverage. Our future collaboration efforts will include:

- *Industry-academia research collaboration with medical institutions and PIs.* This allows us to access advanced medical technologies, deepen our understandings of dermatology and obtain latest feedbacks from clinical practices. By working with healthcare professionals such as leading PIs, we believe we will be able to educate market participants, cultivate dermatology management habits among patients, and promote our brand.
- *OEM/ODM collaborations with upstream players of industry supply chain.* This enhances our manufacturing capabilities, strengthens our supply chain management capabilities and shortens our R&D, clinical development and commercialization processes.
- *Co-development and co-marketing with other downstream medical and commercial institutions.* We plan to continue penetrating the downstream of the healthcare value chain. This enables us to further expand our product pipeline and optimize the allocation of our R&D and commercialization resources.
- *Collaborations with e-commerce platforms.* This enables us to efficiently reach a wide range of potential customers as well as collect and analyze their first-hand feedbacks, which facilitates our efforts to identify and address market demands through targeted product development.

Our integrated commercialization model is expected to address the pain points of the traditional commercialization model, such as fierce traffic competition, high customer acquisition costs and uncertain profitability. By seizing the opportunities arising from the rapid expansion of China's sales network, we endeavor to innovate omni-channel commercialization models for pharmaceutical sales to drive our market share, and develop standardized operations with high scalability, setting a significant industry barrier. On one hand, we intend to make content platforms to formulate targeted marketing strategies for our products and conduct online and offline promotion events and activities. On the other hand, with established brand recognition and relationships with medical institutions, we plan to establish strategic cooperative relationships with Class III Grade A hospitals in China. In terms of our commercialization coverage, we plan to focus on promoting to around 20 Class III Grade A hospitals in China in the first year after CU-20401's approval. We intend to build up collaborative relationships with these hospitals through CU-20401's Phase III clinical trial. We also plan to adopt a tiered provincial market-entry approach with the goal of achieving nationwide coverage in the medium term. Our priority is to initially focus on top tier provinces that have high patient or customer volume capture. As we expand into tier two and lower tier provinces, we plan to continue to invest in building our on-the-ground presence and coverage. We will seek to strengthen our relationships with key stakeholders in each province to drive



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## BUSINESS

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diagnosis and treatment, and also to support reimbursement negotiation into provincial formulary. We believe these marketing and business development strategies will help us obtain market shares in the indications that we focus on. We will also continue to expand our commercialization team which integrates our medical, business development and marketing teams with online and offline commercial capabilities.

Our marketing team is in charge of our online and offline promotions and aims to build long-term relationships with medical institutions, healthcare professionals and KOLs through academic conferences, seminars and on-site medical trainings. By doing so, we expect to educate physicians the safety and efficacy of our products, which could in turn improve the awareness of our products among our target customers. Our business development team will be responsible for expanding our commercialization ecosystem coverage and collaboration network, which could strongly empower our commercialization capabilities.

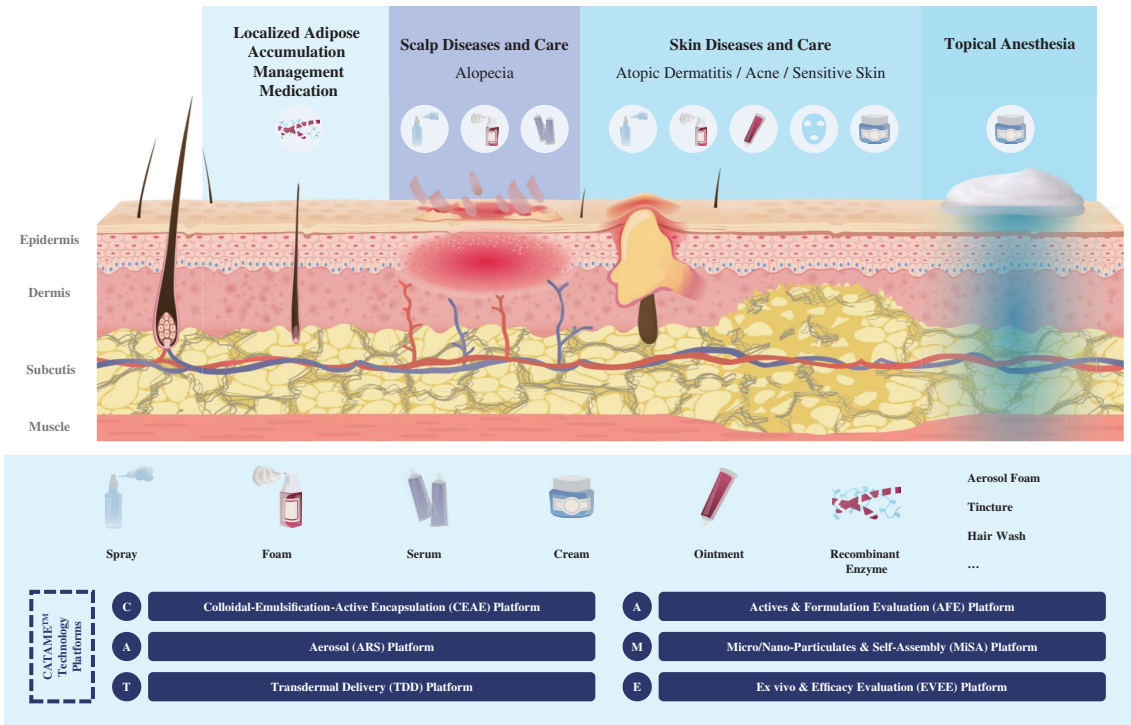
### **Expand Our Presence**

We are committed to becoming a dermatology platform and improving the quality of life for patients worldwide. We plan to expand into countries and regions with considerable market potential for dermatology solutions based on our resources and commercial readiness. We are well prepared to mitigate the risks of market concentration by adopting differentiated pricing policies across different regions. We aim to establish overseas offices and operate local teams where appropriate, in order to fulfill local responsibilities including business development, conducting clinical trials, registration and commercialization.

Complementing our organic growth strategy, we aim to fuel our business growth through establishing strategic alliances with partners and pursuing investments and acquisitions with synergistic businesses. When selecting potential acquisition, investment or in-licensing arrangement targets, we will consider various criteria, including (i) synergy with or complement to its business operations, (ii) R&D capabilities in dermatology products, (iii) geographic locations, (iv) growth potential, and (v) financial performance or projections. We became acquainted with our corresponding collaborating counterparties through our management team's industry network or business development. In the future, we will seek acquisition or cooperation opportunities with companies with alternative dermatological technologies to enrich our offerings to customers. We also intend to collaborate and transfer our leading technologies to organizations who aspire to implement and utilize these technologies to expedite the drug innovation process and lower production costs.

**PRODUCT CANDIDATES**
































































Our broad portfolio targets the four main sectors of the broader dermatology treatment and care market, namely localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. The following image illustrates the four main segments of the broader dermatology treatment and care market and the application of our products to the respective skin conditions.



Source: Frost & Sullivan analysis

As of the Latest Practicable Date, we had built a broad portfolio of nine products and product candidates. We are developing five clinical-stage and four pre-clinical stage drug candidates. Among the five clinical-stage drug candidates, two products have commenced pilot commercialization in Lecheng, Hainan. We also distributed two commercialized products developed by overseas collaboration partners. The following chart summarizes the development status of our distributed products, clinical-stage drug candidates and selected pre-clinical stage drug candidates as of the Latest Practicable Date:

# BUSINESS

Therapeutic Areas	Candidate <sup>1</sup>	Active Ingredients & Formulation	Indication	OTC / Prescription Drugs	Commercial Rights	Source	Pre-Clinical	IND	Phase I	Phase II	Phase III	Registration	Commercialization	Upcoming Milestone	Expected Commercial Launch	NMPA Registration Classification <sup>10</sup>
Localized Adipose Accumulation Management	CU-20401 <sup>1</sup> ★	Recombinant mutant collagenase	Submental Adipose Accumulation (Submental Fat) Abdominal Adipose Accumulation (Abdominal Fat)	Prescription drug	Asia	Acquired								Initiate Phase II in 3Q2023	2028	1
														Complete Phase I in 2024	2028	
Scalp Disease and Care	CU-40102 <sup>2</sup> ■	Topical finasteride spray	Androgenic Alopecia	Prescription drug	Greater China <sup>9</sup>	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-40101 <sup>4</sup>	Topical small molecule thyroid hormone receptor agonist liniment	Androgenic Alopecia	Prescription drug	Asia	In-licensed								Complete Phase I in 2Q2024	TBD	1
	CU-40103	Topical minoxidil foam	Alopecia	OTC	Global	Self-developed								ANDA submission to NMPA in 3Q2024	2025	3
	CU-40104	Topical dutasteride agent	Androgenic Alopecia	Prescription drug	Global	Self-developed								IND application submission to NMPA in 4Q2024	TBD	2
Skin Disease and Care	CU-10201 <sup>5</sup> ■	Topical 4% minocycline foam	Acne Vulgaris	Prescription drug	Greater China <sup>9</sup>	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-10101 <sup>6</sup>	Topical novel small molecule agent	Atopic Dermatitis	Prescription drug	Greater China <sup>9</sup> , Japan, South Korea and SEA	In-licensed								IND application submission to NMPA in 2Q2024	TBD	1
	CU-10401 <sup>7</sup>	Topical tapinarof cream	Psoriasis	Prescription drug	Greater China <sup>9</sup> , Japan, South Korea and SEA	Acquired								ANDA submission to NMPA in 2026	2027	4
Topical Anesthesia	CU-30101 <sup>8</sup>	Localized topical lidocaine and tetracaine cream	Surface Dermatologic Operations	Prescription drug	Greater China <sup>9</sup>	Acquired								Commence Phase III in 2Q2023	2026	3

★ Denotes Core Product   ■ Denotes Key Products    Denotes products in registrational trials in China with pilot commercialization in Lecheng, Hainan

1. In addition to the product candidates listed below, we also entered into agreements for the distribution and marketing of CUP-MNDE and CUP-SFJH in Mainland China. CUP-MNDE has been commercialized by its original developer, Laboratoires Bailleul, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-MNDE in Mainland China while CUP-SFJH has been commercialized by its original developer, VML, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-SFJH in Mainland China.
2. We acquired from Rejuven Dermaceutical Co., Ltd., an Independent Third Party, in August 2020 all of the intellectual property and development results related to CU-20401 in Asia. For more details, see “Business – Collaboration and Licensing Arrangements – CU-20401 Agreement”. We have completed Phase I clinical trial for CU-20401 for subcutaneous adipose accumulation and expect to initiate a Phase II clinical trial of CU-20401 for subcutaneous adipose accumulation in the third quarter of 2023.
3. We in-licensed from Policheim S.A., a subsidiary of Almirall, S.A. (BME: ALM), an Independent Third Party, in November 2020 an exclusive, royalty-bearing, non-assignable and non-sublicensable license to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenic alopecia in Greater China. For more details, see “Business – Collaboration and Licensing Arrangements – CU-40102 Agreement”. CU-40102 is currently in a registration Phase III clinical trial in China and has commenced pilot commercialization in Lecheng, Hainan.
4. We in-licensed from TechnoDerma Medicines Inc., an Independent Third Party, in May 2020 an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indication of hair growth. For more details, see “Business – Collaboration and Licensing Arrangements – CU-40101 Agreement”.
5. We in-licensed from Foamix, an Independent Third Party, in April 2020 an exclusive, royalty-bearing license, under the patents, know-how and trademarks, with the right to sublicense to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China. For more details, see “Business – Collaboration and Licensing Arrangements – CU-10201 Agreement”. The Phase III bridging clinical trial of CU-10201 for moderate-to-severe acne vulgaris sponsored by us was initiated in September 2021. We completed the primary endpoint read-out for the Phase III bridging clinical trial in February 2023.
6. We in-licensed from Wuhan Yingnashi Pharmaceutical Co., Ltd., an Independent Third Party, in November 2019 the exclusive rights in relation to CU-10101 in Greater China, Japan, South Korea and SEA.
7. We acquired from Wuhan Yingnashi Pharmaceutical Co., Ltd., an Independent Third Party, in June 2020 all development results and intellectual property rights in relation to CU-10401 in Greater China, Japan, South Korea and SEA.
8. We acquired from Sparkmed Research, LLC, an Independent Third Party, in November 2019 all the intellectual property and ownership of CU-30101 in Greater China. We initiated the Phase III clinical trial in April 2023. For more details, see “Business – Topical Anesthesia”.
9. Including Mainland China, Hong Kong, the Macau Special Administrative Region and Taiwan.
10. As advised by the PRC Legal Advisers, for the product candidates that have not obtained IND approval, the NMPA Registration Classification is subject to the confirmation by the NMPA.

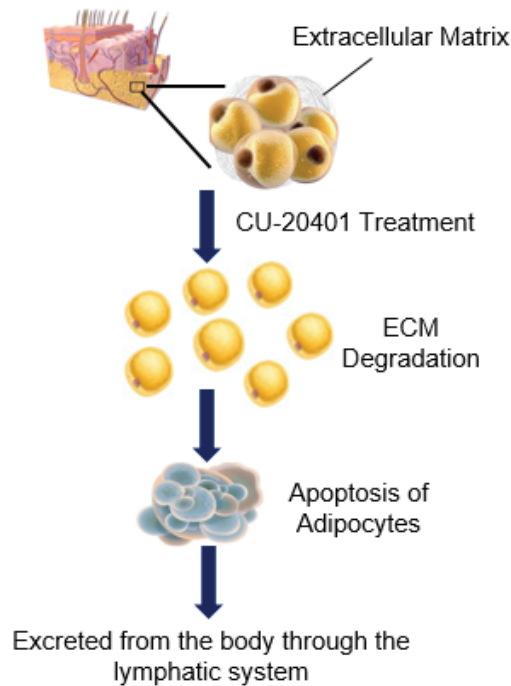
**LOCALIZED ADIPOSE ACCUMULATION MANAGEMENT MEDICATION****Core Product CU-20401: A Recombinant Mutant Collagenase***Overview*

CU-20401 is a recombinant mutant collagenase that targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. We acquired CU-20401 from Rejuven Dermaceutical Co., Ltd. in August 2020. The route of administration of CU-20401 is subcutaneous injection. Fat cells are normally attached to the extracellular matrix composed of collagen network. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes. CU-20401 is a recombinant collagenase II with the E451D mutation. The recombinant with the E451D mutation does not affect enzyme-substrate binding, but significantly decreases enzymatic cleavage rate in vivo. CU-20401 is modified with reduced rate to catalyze the collagen degradation and is effective to reduce adipose accumulation with mild catalytic activity, thus reducing the adverse effects of wild-type collagenase, such as bruising and pain. The modification of E451D mutation for CU-20401 was carried out before the asset transfer of CU-20401. The formulation of CU-20401 includes recombinant mutant collagenase, trometamol, sucrose, calcium chloride, hydrochloric acid and water. We have completed Phase I clinical trial of CU-20401 on human subjects for submental adipose accumulation (submental fat) and are conducting another Phase I clinical trial for abdominal adipose accumulation (abdominal fat). As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate the Phase II clinical trial of CU-20401 for submental adipose accumulation (submental fat) in the third quarter of 2023.

*Mechanism of Action*

Collagenases are enzymes that break the peptide bonds in collagen. Collagenase exists in various human tissues, including uterus, bones and wound-healing tissues, and can hydrolyze the peptide bonds in collagen. Human fat tissue mainly consists of adipocytes that are surrounded by and attached to the extracellular matrix mainly composed of collagen network. Once the collagen network is degraded by the collagenase, the fat cells are detached and isolated, losing the mechanical and physiological support by the extracellular matrix and consequently undergoing apoptosis. Local adipose tissue volume can hence be reduced in the area where the collagenase is administered. CU-20401 is a recombinant mutant collagenase, with the glutamate on amino acid site 451 of wild-type collagenase mutated to aspartate (E451D). The E451D mutation does not affect the affinity of the collagenase to bind the substrate, but significantly reduces the rate to catalyze the breakdown of collagen. After subcutaneous administration, CU-20401 acts on and degrades the collagen in the targeted area, dispersing the aggregated adipocytes and leading to loss of support from the extracellular matrix and finally apoptosis, improving the skin laxity appearance. The enzymatic degradation of collagen by CU-20401 is relatively mild compared to wild-type collagenase, potentially reducing the adverse effects of wild-type collagenase such as bruising and pain.

The diagram below illustrates the mechanism of action of CU-20401:



*Source: Frost & Sullivan analysis*

### ***Market Opportunity and Competition***

Current treatment for localized adipose accumulation includes, among others, energy-based fat reduction procedures. No localized adipose accumulation management medication product has been approved in China. The localized adipose accumulation management medication products' ingredients dissolve local fat and facilitate local fat metabolism, which is suitable for individuals who seek effective solutions to local fat accumulation that is not fully addressed by exercise and diet.

According to Frost & Sullivan, the market size of localized adipose accumulation management medication is estimated to grow because (i) a number of localized adipose accumulation medications are expected to be approved in China, (ii) the recognition and availability of localized adipose accumulation medications continue to improve due to their increased safety profiles and ease of treatment, (iii) China's obese and overweight population that can receive adipose accumulation management medication is estimated to grow continuously, (iv) customers receiving adipose accumulation management medication generally demonstrate a high re-purchase rate in order to maintain the desired results, (v) the education and promotion of physicians by each product manufacturer continues to increase the clinical penetration of the products, (vi) the clinical use of the products in hospitals will increase the credibility of the products and the number of users. For details, see "Industry Overview" section in this Prospectus.

According to Frost & Sullivan, there are currently no approved localized adipose accumulation management medication products in China. We believe that CU-20401 is well-positioned to capture the growth of the localized adipose accumulation management medication market in China for labelled use, which is expected to reach RMB2,439.9 million in 2030, according to the same source.

### ***Summary of Clinical Trial Results***

We designed two separate clinical trials for CU-20401 targeting submental adipose accumulation (submental fat) and abdominal adipose accumulation (abdominal fat), respectively. We present the results of the clinical trials below.

#### *Phase I Clinical Trial of CU-20401 for Submental Adipose Accumulation (Submental Fat) Sponsored by us*

Overview. The Phase I clinical trial is a single-center, non-randomized, single-arm, dose study to evaluate the safety, PK characteristics, preliminary efficacy and immunogenicity of CU-20401 in different groups of adult subjects with excessive submental adipose accumulation aged between 18 to 65 years old in China. The primary endpoint of the Phase I clinical trial is to evaluate the safety of CU-20401 in the submental adipose accumulation subjects. The secondary endpoint of the Phase I clinical trial is to evaluate the pharmacokinetic profile, preliminary efficacy and immunogenicity of CU-20401 in the submental adipose accumulation subjects. The primary endpoint of the Phase I clinical trial had been reached, suggesting that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation. The Phase I clinical trial also has demonstrated preliminary efficacy of CU-20401 and the recommended Phase II dose (RP2D) of CU-20401 should be 0.06mg/dose or 0.08mg/dose for the subsequent Phase II clinical trial in China.

Trial design. The Phase I clinical trial enrolled 49 subjects in total, 48 subjects received treatments and were divided into six cohorts (A1, A2, B1, B2, C1, C2) with eight subjects in each cohort. The cohorts would be treated with CU-20401, with a dosage design as set forth below. Safety evaluation indications included: vital signs, 12-lead electrocardiogram, clinical laboratory test indicators, physical examination, local skin reactions, and other adverse events. Efficacy evaluation indicators included: (i) clinician-reported submental fat rating scale (CR-SMFRS) to assess the proportion of subjects with submental fat (SMF) Grade  $\leq 1$ , (ii) submental skin relaxation scale (SLRS) to assess the change in SMF skin laxity from baseline, (iii) patient-reported submental fat rating scale (PR-SMFRS) to assess the change in SMF from baseline, (iv) subject self-rating scale (SSRS) to assess the proportion of subjects with SMF score  $\geq 3$ , (v) magnetic resonance angiography to assess the proportion of subjects with at least 10% reduction in submental fat area from baseline, and (vi) global aesthetic improvement scale to assess changes from baseline. The efficacy is observed using both subjective scores, such as CR-SMFRS and PR-SMFRS, as well as objective evaluations, such as magnetic resonance angiography.

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<b>Cohorts</b>	<b>Formulation</b> (mg)	<b>Dose</b> (ml)	<b>Concentration</b> <b>per dose</b> (mg/ml)	<b>Number</b> <b>of doses</b>	<b>Total dose</b> (mg)
<b>A1</b>	0.02	0.2	0.1	2	0.04
<b>A2</b>	0.04	0.2	0.2	2	0.08
<b>B1</b>	0.04	0.2	0.2	4	0.16
<b>B2</b>	0.06	0.2	0.3	4	0.24
<b>C1</b>	0.06	0.2	0.3	6	0.36
<b>C2</b>	0.08	0.2	0.4	6	0.48

Trial status. We initiated the Phase I clinical trial in February 2022 and completed the trial in November 2022.

Safety data. The most commonly reported treatment emergent adverse events (TEAEs) included edema, pain, tenderness, bruising and swelling, and erythema. The majority of subjects (43/48) had a Grade 1 TEAE related to CU-20401 and a few subjects (4/48) had a Grade 2 TEAE. Only one subject had a sub-Grade 3 TEAE related to CU-20401, namely reduced neutrophil count. The subject with the sub-Grade 3 TEAE enrolled in the lowest dose cohort was recovered without any intervention. Considering that most of the subjects (47/48) did not have such sub-Grade 3 TEAE, the possible reason for the subject with the sub-Grade 3 TEAE may be an incidental event that the subject had specific individual features. The CU-20401 is the recombinant collagenase with the E451D mutation to treat submental adipose accumulation, with no potential effects regarding proliferation and differentiation of neutrophil and count thereof. As such, in light of the mechanism of CU-20401 and the whole clinical trial that most of the subjects did not have reduced neutrophil count, CU-20401 showed no off-target effects on reduction of neutrophil count. All subjects had no serious adverse events, no TEAEs leading to withdrawal from the clinical trial, and no TEAEs leading to death, suggesting a good safety and tolerability profile for CU-20401.

Efficacy data. At day 28 (D28) after CU-20401 treatment, the efficacy profiles among six cohorts A1, A2, B1, B2, C1, and C2 are set forth below. (i) CR-SMFRS is a rating scale system reported by clinicians to evaluate the degree of submental fat level accumulation. The lower the scale, the less the accumulation. The proportion of subjects with 1-scale decrease in CR-SMFRS was 62.5%, 37.5%, 50.0%, 75.0%, 50.0%, and 37.5%, respectively. Because lower scale of CR-SMFRS indicates less accumulation, after CU-20401 treatment, patients with 1-scale decrease suggest that the CU-20401 treatment is able to decrease submental fat accumulation evaluated by clinicians. (ii) PR-SMFRS is a similar rating scale system reported by patients. The mean decrease from baseline in PR-SMFRS was  $0.5\pm 0.76$ ,  $0.8\pm 0.71$ ,  $1.3\pm 0.71$ ,  $0.8\pm 0.71$ ,  $1.0\pm 0.53$ , and  $0.6\pm 0.74$  points, respectively. Similar to CR-SMFRS, lower scale indicates less fat accumulation. After CU-20401 treatment, the scale is decreased from the baseline, suggesting the preliminary efficacy for CU-20401 treatment assessed by patients. (iii) SLRS is a scale system evaluated by physicians to reflect submental skin relaxation. The mean decrease from baseline in SLRS was  $0.1\pm 0.35$ ,  $0.1\pm 0.35$ ,  $0.1\pm 0.35$ ,  $0.6\pm 0.52$ ,  $0.6\pm 0.52$ , and  $0.3\pm 0.46$  points, respectively. SLRS uses lower scale to indicate less relaxation. CU-20401



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treatment decreased the patients' scale from baseline, suggesting the preliminary efficacy for CU-20401 to ameliorate skin relaxation. (iv) SSRS is an SMF score system to reflect the patient satisfaction with their face and chin. The percentage of subjects with submental fat scores  $\geq 3$  points were 50.0%, 75.0%, 50.0%, 50.0%, 50.0%, and 37.5%, respectively. The high percentage in the SSRS system demonstrates the patients' satisfaction for CU-20401 treatment. (v) The proportion of subjects with at least 10% reduction in submental fat area from baseline (i.e.,  $\geq 10\%$  reduction) by magnetic resonance angiography were 0, 12.5%, 37.5%, 25.0%, 25.0%, and 12.5%, respectively. The percentage of subjects after CU-20401 treatment suggests the efficacy of CU-20401 to decrease submental fat area. (vi) 66.7% of subjects perceived an improvement over the initial status at D28 or when exited early based on the global aesthetic improvement scale system. In conclusion, CU-20401 demonstrated preliminary efficacy in the submental adipose accumulation population.

Cohorts	CR-SMFRS 1-scale decrease	PR-SMFRS decreased from baseline	SLRS decreased from baseline	SMF Score $\geq 3$	Proportion of subjects with at least 10% reduction in SMF from baseline
A1	62.5%	0.5 $\pm$ 0.76	0.1 $\pm$ 0.35	50.0%	0
A2	37.5%	0.8 $\pm$ 0.71	0.1 $\pm$ 0.35	75.0%	12.5%
B1	50.0%	1.3 $\pm$ 0.71	0.1 $\pm$ 0.35	50.0%	37.5%
B2	75.0%	0.8 $\pm$ 0.71	0.6 $\pm$ 0.52	50.0%	25.0%
C1	50.0%	1.0 $\pm$ 0.53	0.6 $\pm$ 0.52	50.0%	25.0%
C2	37.5%	0.6 $\pm$ 0.74	0.3 $\pm$ 0.46	37.5%	12.5%

Source: Company data (clinical study report)

*Phase I Clinical Trial of CU-20401 for Abdominal Adipose Accumulation (Abdominal Fat)  
Sponsored by us*

Overview. This was a single-center, open label, placebo-controlled, dose escalation Phase I clinical trial in healthy subjects aged between 21 to 50 years old in China. The primary objective was to assess the safety and tolerance of CU-20401 single-dose administration in healthy subjects. The primary objective for this clinical trial is to observe the safety and tolerability of CU-20401, and the secondary objectives include pharmacokinetics, efficacy and immunogenicity. The Phase I clinical trial is a single-dose escalation study with eight dose cohorts of six subjects for each cohort. Our Phase I clinical trial for abdominal adipose accumulation substantially differs from Rejuven's Phase I clinical trial for abdominal fat in the U.S. for the following reasons: (i) our Phase I clinical trial has more designed safety indicators; (ii) our Phase I clinical trial observes pharmacokinetics and immunogenicity, both of which are absent in the Rejuven study; (iii) our Phase I clinical trial determines the efficacy endpoint by ultrasound and magnetic resonance imaging, while the Rejuven study determines the efficacy

endpoint by ultrasound only; and (iv) our follow-up observation period is extended to three months. After we obtained IND approval from the NMPA, we initiated the trial in December 2021 and the trial design was subject to adjustment to confirm the RP2D. We plan to enroll 48 patients and complete the Phase I clinical trial in 2024. As of the Latest Practicable Date, this trial was still actively recruiting subjects with 36 patients enrolled, and no preliminary clinical result was available for analysis.

*Asset Transfer and Joint Collaboration*

On August 28, 2020, we entered into an agreement (the “**CU-20401 Agreement**”) with Rejuven Dermaceutical Co., Ltd., (“**Rejuven**”). Pursuant to the CU-20401 Agreement, Rejuven has exclusively transferred to us all of the intellectual property and development results related to CU-20401 in Asia and we have exclusive rights to develop, manufacture and commercialize CU-20401 in Asia for existing and future expanded indications, including adipose accumulation management and other indications such as cellulite repair and scar modification. We also formed joint collaboration with Rejuven in relation to clinical development in Asia. For more details, see “– Collaboration and Licensing Arrangements – CU-20401 Agreement.”

Pursuant to the CU-20401 Agreement, Rejuven transfers the interests of CU-20401 in Asia to us, because (i) Rejuven plans to find a long-term collaborator for developing and commercializing CU-20401 in Asia so that Rejuven could focus on its development in other countries, such as the U.S.; (ii) as an R&D-driven, dermatology-focused biopharmaceutical company, we have developed and are still developing our pipeline product candidates covering broad dermatology products and our CATAME<sup>®</sup> platform with strong R&D capabilities; and (iii) this long-term collaboration integrates strengths and resources from both Rejuven and us, thus facilitating the development and commercialization of CU-20401. Upon expiration or termination of the Agreement, the Joint Collaboration will be terminated while the Asset Transfer will remain to be effective.

As of the Latest Practicable Date, we had not expanded CU-20401 into future indications other than the indication currently being developed. In addition to China, we have other counties or regions in Asia that we have right but has not started developing CU-20401. According to the CU-20401 Agreement, we can expand our indication in China without need to obtain further consent or reach additional amendments of the current agreement with Rejuven. The current development and commercial milestone payment, royalty payment, termination arrangement and Joint Collaboration under the CU-20401 Agreement also cover future indication expansions. The CU-20401 Agreement does not impose additional obligation on us in case of adverse effect during the development in the expanded indication or geographic area.

***Clinical Development Plan***

We completed the Phase I clinical trial of CU-20401 for the treatment of submental adipose accumulation in November 2022 and are conducting another Phase I clinical trial for abdominal adipose accumulation. As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate the Phase II clinical trial of CU-20401 for submental adipose accumulation in the third quarter of 2023. The Phase II clinical trial is a multi-center, randomized, placebo-parallel controlled clinical trial. The primary objective of the Phase II clinical trial is to assess the efficacy of CU-20401 in subjects with submental adipose accumulation. The secondary objective of the Phase II clinical trial is the assessment of safety and immunogenicity of CU-20401 in subjects with submental adipose accumulation. The Phase II clinical trial plans to enroll 120 subjects, divided into three treatment cohorts and one control cohort, with 30 subjects in each cohort. We expect to complete the Phase II clinical trial of CU-20401 for submental adipose accumulation in 2025, and initiate a Phase III clinical trial for submental adipose accumulation in 2025. Pursuant to the CU-20401 Agreement, Rejuven has exclusively transferred to us all of the intellectual property and development results related to CU-20401 in Asia. We have obtained the NMPA approval for the clinical trials and we, as the sponsor, have initiated a Phase I clinical trial for abdominal adipose accumulation and completed a Phase I clinical trial for submental adipose accumulation. Therefore, we believe CU-20401's future potential trials in the U.S. sponsored by Rejuven do not impact NMPA's review of CU-20401 in China.

***Our R&D Work since Acquisition and Material Communications with Competent Authorities***

Prior to our acquisition of CU-20401 from Rejuven, Rejuven had conducted several pre-clinical studies of CU-20401 but had not formulated or filed any clinical trial plans in Asia for CU-20401. We commenced our R&D efforts of CU-20401 around December 2020. Since then, we have made R&D progress on CU-20401 including, among others, the analysis of CU-20401 to identify the variances between regulatory standards and current R&D progress, covering analysis from pre-clinical, CMC and clinical perspectives.

We received IND approval from the NMPA for the Phase I clinical trial to assess the safety and tolerance of CU-20401 in August 2021. We completed the study for the Phase I clinical trial for submental adipose accumulation in November 2022. Our Phase I clinical trial results for submental adipose accumulation showed favorable safety profile and that the RP2D of CU-20401 should be 0.06mg/dose or 0.08mg/dose for the subsequent Phase II clinical trial in China. We expect to commence Phase II clinical trial in or around July 2023. We are also actively recruiting patients for a Phase I clinical trial of CU-20401 for abdominal adipose accumulation. Our major milestones of R&D work and material communication with competent authorities for CU-20401 since acquisition include the following:

- *Pre-clinical studies and CMC:* We have cooperated with CROs and CDMOs to conduct more than 20 pre-clinical studies and develop CMC for CU-20401. The patent was originally granted in May 2020 with the patent owner of Rejuven. Pursuant to the CU-20401 Agreement, Rejuven transferred the patent ownership to us in October 2020.

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- *Pre-IND communication:* Since December 2020, we had a series of pre-IND meetings with the NMPA during which we discussed the pre-clinical results and clinical development plan of CU-20401 in China.
- *Phase I clinical trial design:* Our R&D team commenced the clinical trial design of a Phase I clinical study of safety, tolerability, and pharmacokinetics of CU-20401 in healthy subjects in China in April 2021. The clinical trial design was finalized in the same month.
- *Submission of IND application to the NMPA:* In May 2021, we, as the sole sponsor, submitted to the NMPA the IND application for a Phase I clinical study of safety, tolerability, and pharmacokinetics of CU-20401 in healthy subjects in China.
- *Phase I approval of IND application from the NMPA:* In August 2021, we received IND approval for the aforementioned Phase I clinical trial of CU-20401. In the approval letter, as CU-20401 is indicated for submental adipose accumulation and the proposed Phase I clinical trial is designed as subcutaneous abdominal administration in healthy subjects, the NMPA recommended an additional submental administration study of CU-20401 to assess its PK and safety profile.
- *Consultation with CDE regarding Phase I and Phase II clinical trial of CU-20401 for submental adipose accumulation:* In August 2021, based on the NMPA's recommendation in the IND approval letter, we consulted the CDE as to whether another Phase I and Phase II clinical trial of CU-20401 for the treatment of submental adipose accumulation could be initiated directly without filing an IND with NMPA. We will submit a meeting request to the CDE before initiation of Phase III clinical trial after the end of Phase II clinical trial. In September 2021, the CDE confirmed additional IND application was not needed if we obtained ethics committee (the "EC") approval and submitted the Phase I and Phase II clinical trial design on the CDE website.
- *Phase I and Phase II clinical trial design:* Based on the NMPA's recommendation, we have formulated a Phase I and Phase II clinical trial design of CU-20401 for submental adipose accumulation.
- *Submission of EC application for a Phase I and Phase II clinical trial:* In September 2021, we filed a submission to the EC in relation to our Phase I and Phase II clinical trial design for submental adipose accumulation in China.
- *EC approval for Phase I and Phase II clinical trial:* In October 2021, we received EC approval for the Phase I and Phase II clinical trial of CU-20401 for submental adipose accumulation.

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- *Submission of Phase I and Phase II trial design on the CDE website:* In November 2021, we submitted the Phase I and Phase II clinical trial design of CU-20401 for submental adipose accumulation on the CDE website. After the CDE's review, the Phase I and Phase II clinical trial designs were approved and registered on the CDE website in December 2021.
- *Key preparation for clinical trials:* We communicate with Rejuven regarding the sharing of clinical trial data and progress and maintain extensive collaboration with Rejuven for CU-20401. In addition, under the CU-20401 Agreement, we have exclusive rights to develop, manufacture and commercialize CU-20401 in Asia for potential indications, including but not limited to adipose accumulation management and other indications such as cellulite repair and scar modification. We will notify Rejuven if we plan to expand indications to other indication specified in the CU-20401 Agreement, such as cellulite repair and scar modification. Our medical team continued to actively collaborate with CROs in the Phase I clinical trial of CU-20401 to (i) analyze data on clinical needs; (ii) develop and validate PK analysis methodology; (iii) finalize the statistical analysis plan, risk management plan, medical monitoring plan and data management plan; (iv) conduct site selection; (v) apply for EC approval; (vi) prepare several clinical trials; and (vii) conduct meetings with principal investigators for the Phase I clinical trial.

As advised by our PRC Legal Advisor, the CDE is responsible for evaluating drug clinical trial applications, drug marketing authorization applications, supplementary applications, and overseas production drug re-registration applications. It is the competent authority with regulatory responsibility for the IND application and its approval of CU-20401.

The original protocol communicated with the CDE covers both Phase I and Phase II clinical trials of CU-20401, and Phase I and Phase II clinical trials are two separate trials with different endpoints. On January 13, 2023, our PRC Legal Advisor consulted the CDE regarding the commencement of a Phase II clinical trial after the completion of the Phase I clinical trial. According to the CDE, (i) the NMPA is not responsible for either certifying or providing assurance for the completion of any clinical trials and the NMPA will not confirm the completion of a Phase I clinical trial before initiation of the Phase II clinical trial, and (ii) for Phase I and Phase II clinical trials for new drugs, the NMPA has optimized its review and approval procedure and accordingly adopts one-time approvals instead of phased declarations, reviews and approvals. Therefore, a company does not have to obtain additional approval or confirmation from the NMPA for commencing the Phase II after it completes the Phase I if that company has obtained an umbrella IND approval to carry out both Phase I and Phase II clinical trial without any pre-requisite conditions imposed. Therefore, as advised by our PRC Legal Advisor, there is no legal impediment to initiate the Phase II clinical trial.

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Furthermore, the sponsor and the principal investigator have the discretion to determine whether the Phase I clinical trial has reached its primary endpoints and whether to initiate the Phase II clinical trial, and the principal investigator and the Company discussed the data from the Phase I clinical trial in the finalized clinical study report and determined that the primary endpoint for the Phase I on submental adipose accumulation had been met. Since the primary endpoints of the Phase I clinical trial were reached, no additional approval or confirmation for the Phase II clinical trial from the NMPA is required because the RP2D selected did not exceed the highest dose in the protocol originally approved by the NMPA. We, as the sponsor of the Phase I and Phase II clinical trial of CU-20401 for submental adipose accumulation, confirm that the design of the Phase II clinical trial will follow the original protocol without any material modifications, and that the first patient is expected to be dosed in July 2023. We need to conduct substantial preparation work before initiating the Phase II trial, including but not limited to recruiting patients, selecting clinical sites and engaging CROs and CDMOs, among other clinical service providers where necessary. According to Frost & Sullivan, a six-month preparation period before first-patient-in of a Phase II clinical trial is not uncommon and is in line with market practice. Therefore, the NMPA has no objection for us to commence the Phase II clinical trial of CU-20401 for submental adipose accumulation.

According to the NMPA's IND approvals and as advised by our PRC Legal Advisor, the proposed indications of submental adipose accumulation and abdominal adipose accumulation for CU-20401 are regulated as one single product, and submental adipose accumulation and abdominal adipose accumulation are two indications that require separate research capabilities and development programs.

We received IND approval from the NMPA for the Phase I clinical trial to assess the safety and tolerance of CU-20401 in treating abdominal adipose accumulation in August 2021.

We had not received any relevant regulatory agency's objections to our clinical development plans as of the Latest Practicable Date.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-20401 SUCCESSFULLY.**

### **SCALP DISEASES AND CARE**

Androgenetic alopecia is a common form of scalp disease that affects both men and women. It is characterized by progressive hair loss. Currently medication for androgenetic alopecia include minoxidil, finasteride and cyproterone. Minoxidil and finasteride are both commonly used in the treatment of androgenetic alopecia and they can be used in combination. Over 70% androgenetic alopecia patients were treated with minoxidil or finasteride in 2021 in the U.S. and China, according to Frost & Sullivan. Adverse events arising from minoxidil products include allergy to propylene glycol and orthostatic hypotension. Finasteride is only available in oral form in China with potential significant adverse effects and cannot be used by female patients. Patients using finasteride may experience sexual adverse effects such as decreased libido, erectile dysfunction and ejaculation disorder, of which incidence rates were

1.8%, 1.3% and 1.2% in clinical trials, respectively. Cyproterone can only be used in female patients with severe androgenetic alopecia but it is not applicable for pregnant female patients. As current therapies have higher risks of severe adverse effects, new therapies under development with fewer adverse effects are expected to seize great market opportunities. We believe that our scalp disease products are well positioned to address the unmet needs and capture the growing market of scalp diseases and care products in China. It is estimated that the market will increase from RMB106.9 billion in 2021 to RMB144.3 billion in 2025, representing a CAGR of 7.8%, and further increase to RMB203.5 billion in 2030, representing a CAGR of 7.1% from 2025 to 2030. We have formed a comprehensive pipeline comprised of four products and product candidates for scalp diseases and care, including CU-40102 (topical finasteride spray), CU-40103 (topical minoxidil foam), CU-40101 (topical small molecule hormone receptor agonist liniment), CU-40104 (topical dutasteride agent), and two distributed products CUP-MNDE (topical minoxidil spray) and CUP-SFJH (topical natural plant extracts).

### **Key Product CU-40102: Phase III Clinical-Stage Topical Finasteride Spray**

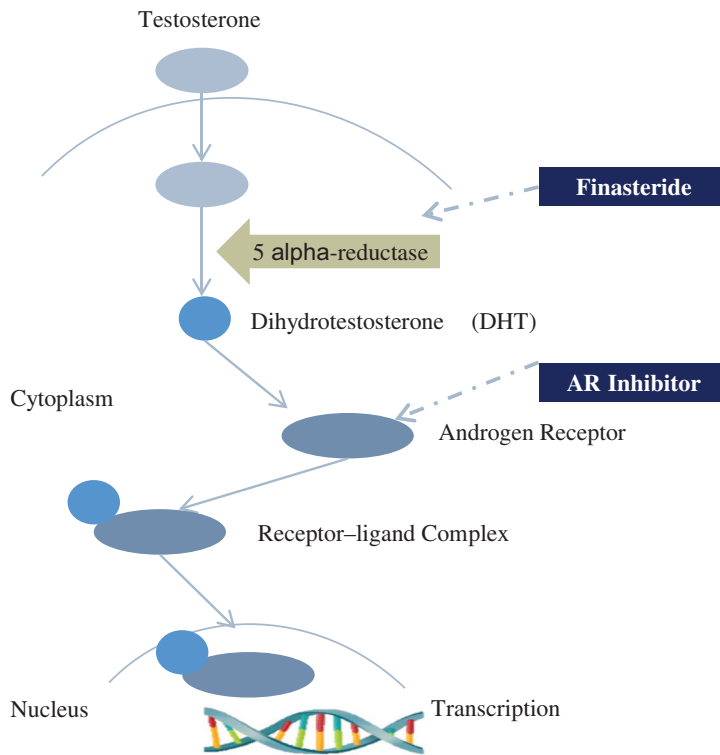
#### *Overview*

CU-40102 is an in-licensed product and the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China. We in-licensed CU-40102 from Polichem S.A. in November 2020. Finasteride can treat androgenetic alopecia in male patients by acting as a competitive and specific inhibitor of Type II 5-alpha reductase to inhibit the conversion of testosterone to DHT in the scalp. The global annual sales of finasteride products for the treatment of alopecia increased from US\$320.3 million in 2017 to US\$348.1 million in 2021, representing a CAGR of 2.1%, according to Frost & Sullivan. Growing prevalence of androgenetic alopecia in China presents enormous market potential for scalp disease treatment and subsequent scalp care maintenance. CU-40102's topical finasteride formulation is applied by spraying onto the scalp. We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for CU-40102 in Mainland China, and we have commenced pilot commercialization of CU-40102 in Lecheng, Hainan. We expect to complete the primary endpoint read-out for the Phase III clinical trial in the fourth quarter of 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.

***Mechanism of Action***

Androgenetic alopecia is a scalp disease in which androgens cause hair follicle miniaturization which in turn results in hair shaft thinning and hair loss. Testosterone is the major circulating androgen and can be converted to the more potent androgen, DHT, by 5-alpha reductases. In the scalp of men with androgenetic alopecia, the rate of conversion of testosterone to DHT is accelerated in the balding region compared to the unaffected region. Finasteride, as a specific inhibitor for 5 alpha-reductase, suppresses the conversion of testosterone to DHT in the scalp and further blocks the interaction of DHT and androgen receptor, thereby decreasing the transcription control of androgen-dependent genes to delay the progression of androgenetic alopecia.

The diagram below illustrates the mechanism of action of CU-40102:



Source: Frost & Sullivan analysis



### *Competitive Advantages*

We believe that CU-40102 has the following advantages:

#### *High Concentrations of Finasteride on the Scalp Surface*

CU-40102 is a formulation of 2.275 mg/ml finasteride (corresponding to 0.25% concentration) using a hydroalacquers technology that is based on a hydroalcoholic solution of hydroxypropyl chitosan, a water-soluble synthetic derivative of chitosan. The hydroalcoholic solution of hydroxypropyl chitosan acts as a structure-providing agent, with a good safety profile including biological inertness, non-toxicity, non-irritation and non-potential allergenicity. The CU-40102 topical formulation is a finasteride spray in a vial with a spray pump, which makes distribution of the finasteride spray by a measurable and controllable amount easily and evenly on the scalp. After administration to the scalp, the solvent evaporates rapidly and hydroxypropyl chitosan forms a smooth, water-soluble, transparent, matt and almost invisible structural layer containing the active ingredient finasteride. This structural layer maintains a high concentration of finasteride on the surface of the scalp for sufficient time to allow the finasteride to penetrate skin layers and reach the reticular layers where most of the follicle bulbs are located.

#### *Low Systemic Drug Exposure and Toxicity*

As a topical formulation, CU-40102 reduces systemic absorption of finasteride and avoids exposure of other areas of the skin to finasteride. Both the Phase IIa in Switzerland and the Phase III multi-regional clinical trials in male patients with androgenetic alopecia sponsored by Polichem S.A. showed that only very low concentrations of finasteride were detected in plasma after CU-40102 administration and no significant absorption was observed. In the Phase III clinical trial in male patients with androgenetic alopecia to evaluate safety and efficacy of topical finasteride compared with oral finasteride sponsored by Polichem S.A., average maximum finasteride plasma concentrations following the proposed dose (i.e., up to 200 µL once a day) of CU-40102 administration were more than 100-fold lower than oral finasteride administration ( $\leq 48.0$  pg/mL vs. 7166 pg/mL) at all sampling time points during the 24-week treatment period. Similarly, the average percentage reduction in serum DHT of CU-40102 administration was also less than that of oral finasteride at all sampling time points during the treatment period, and the average percentage reduction in serum DHT at week 24 was 34.5% in the CU-40102 group compared with 55.6% in the oral finasteride group, suggesting much lower systemic inhibition of 5 alpha-reductase by CU-40102 topical administration than that of oral finasteride treatment. CU-40102 topical formulation, as compared with oral finasteride, can reduce the serum DHT suppression with statistical significance and reduces the incidence of systemic adverse effects without statistical tests.

*Commercial Prospect*

Finasteride as an existing compound has been well trusted by physicians and widely accepted by the market. Polichem S.A. first obtained market approval in German for CU-40102 with the brand name of Finjuve<sup>®</sup>. The global annual sales of finasteride products for the treatment of alopecia reached US\$348.1 million in 2021, according to Frost & Sullivan. The current oral formulation of finasteride is a typical treatment for androgenetic alopecia but with a higher risk of causing side effects than the topical drug due to higher drug exposure. CU-40102's topical finasteride formulation is applied by spraying onto the scalp. CU-40102 accordingly is expected to fill in the unmet demand gap to reduce systemic drug exposure side effects in consumer group where there is currently no topically used finasteride approved. In addition, CU-40102 is the only topical finasteride under development in China and has been approved for sale in a pilot program in Lecheng, Hainan. Thus, we believe CU-40102 would potentially be the first and only topical finasteride in China by the expected time of its approval and will capture meaningful market shares.

*Summary of Clinical Trial Results*

The clinical pharmacology, efficacy and safety of CU-40102 have been elucidated through a clinical development program consisting of six completed clinical trials. Among these trials, CU-40102 was generally well-tolerated and showed evidence of efficacy. We present the results of key clinical trials below.

*Phase III Clinical Trial of CU-40102 in Male Patients with Androgenetic Alopecia Sponsored by Polichem S.A.*

Overview. This was a registrational multi-center, double-blind, randomized, parallel-group, placebo and active-controlled Phase III clinical trial to evaluate the efficacy and safety of CU-40102 topical spray solution in male androgenetic alopecia patients. The primary objective of the clinical trial was to determine whether topical administration of CU-40102 once a day to the scalp of patients with androgenetic alopecia for up to 24 weeks increases hair count compared to the excipient. All primary endpoints were met.

Trial Design. Male patients aged between 18 to 40 years were divided into three groups for treatment: (1) CU-40102 group (181 patients): up to 4 sprays (i.e. up to 200  $\mu$ L, 0.455 mg, of the 2.275 mg/ml finasteride topical skin spray solution) once a day and oral placebo for 24 weeks; (2) excipient group (181 patients): topical excipient (hydroxypropyl chitosan solution without finasteride) and oral placebo once a day for 24 weeks; and (3) oral finasteride group (84 patients): topical excipient and 1 mg oral finasteride once a day for 24 weeks. The primary efficacy endpoint of the clinical trial was hair growth as assessed by target area hair count at week 24. The secondary efficacy endpoints of the clinical trial included hair growth as assessed by apical target area hair count at week 12, apical target area hair width at week 12 and week 24, male hair growth questionnaire assessed by the patients at week 12 and week 24, change

in apical hair from baseline (patient hair growth/shedding) assessed by the investigator at week 12 and week 24, and change in apical hair from baseline (patient hair growth/shedding) assessed by blinded assessors at week 12 and week 24.

Trial Status. The Phase III clinical trial was initiated on August 2, 2016 and completed on March 5, 2018.

Safety Data. The most common treatment emergent adverse events are rhinopharyngitis (15.5% in the CU-40102 group, 13.3% in the excipient group, and 17.9% in the oral finasteride group) and headache (9.4% in the CU-40102 group, 11.0% in the excipient group, and 9.5% in the oral finasteride group). The overall incidence of treatment emergent adverse events in the CU-40102 group (41.4%) was similar to that in the excipient group (42.0%) and slightly lower than that in the oral finasteride group (48.8%). The incidence of treatment emergent adverse events leading to early study withdrawal was also similar between the CU-40102 group and excipient group (2.8% vs. 2.2%) and lower than in the oral finasteride group (7.1%). Moreover, all treatment groups were well tolerated with only mild or moderate treatment emergent adverse events occurring in the vast majority of patients. As for the incidence of sexual adverse events (such as decreased libido, loss of libido, erectile dysfunction, and ejaculation dysfunction) was low in all treatment groups: five patients in the CU-40102 group (2.8%), seven patients in the excipient group (3.9%), and five patients in the oral finasteride group (6.0%). In addition, the clinical trial showed no clinically meaningful changes from baseline for all vital signs and physical examination results (blood pressure, heart rate, temperature, weight, height, and body mass index) and the mean values of all assessed clinical laboratory test parameters (hematology, blood biochemistry, and/or urinalysis), and no differences between treatment groups.

Efficacy Data. The registrational Phase III clinical trial met its primary efficacy endpoint and confirmed the efficacy. The primary efficacy endpoint showed that the least squares method for mean change of target area hair count (within a 1 cm<sup>2</sup> circular target area) compared with the baseline in the CU-40102 group at week 24 (i.e., corrected mean change: + 20.2 hairs) was significantly greater than in the excipient group (+ 6.7 hairs; mean difference in the least squares: 13.6 hairs) and similar to the oral finasteride group (+ 21.1 hairs). In addition, analyses across subgroups consistently showed that the efficacy of CU-40102 was comparable across geographic regions, independent of the number of sprays used. As for the secondary efficacy endpoint, almost all secondary efficacy variables in the CU-40102 group were significantly superior than in the excipient group: the men's hair growth questionnaire parameter scores (i.e., hair appearance, hair growth, slowing hair loss, hairline at the front of the head, hairline at the top of the head and overall hair), the results of the investigator's assessment of change in patient hair growth/hair loss compared to baseline, and the results of the blinded assessor's assessment of change in patient hair growth/hair loss compared to baseline.

***Licensing and Post-licensing R&D***

On November 2, 2020, we entered into an agreement (the “**CU-40102 Agreement**”) with Polichem S.A. (“**Polichem**”). Pursuant to the CU-40102 Agreement, Polichem granted us an exclusive, royalty-bearing, non-assignable and non-sublicensable license regarding the licensed patents, know-how and trademarks to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenic alopecia in Greater China consisting of Mainland China, Taiwan, Hong Kong and Macao. For more details about the agreement, see “– Collaboration and Licensing Arrangements – CU-40102 Agreement.”

We are currently conducting clinical trials for CU-40102 to determine its safety and efficacy. Furthermore, in order to conduct the pilot commercialization of CU-40102 in Boao Pilot Zone, we collaborated with an independent third party agency in Hainan, identified a target collaboration institution located in the Boao Pilot Zone, determined the urgently needed use for CU-40102, monitored and advanced the collaboration and pilot commercialization of CU-40102. Considering that we are not the marketing authorization holder of CU-40102, we should report all non-compliance and drug safety issues during commercialization activities to Polichem S.A. According to the CU-40102 Agreement, we are not mandated to take responsibility for non-compliance and drug safety issues resulting from the activities of Polichem S.A.

***Clinical Development Plan***

We, as the sole sponsor, are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for the treatment of androgenetic alopecia for CU-40102 in China and we have commenced pilot commercialization of CU-40102 in Lecheng, Hainan. For more details of the regulatory framework of CU-40102 for pilot commercialization, see “Regulatory Overview – Regulations on Pharmaceutical Product Development, Approval and Registration – Regulations on the Clinical Trials and Registration of Drugs – Import of Urgently Needed Drug in Boao Pilot Zone” in this Prospectus. We commenced pilot commercialization of CU-40102 in August 2021 and recorded revenue of RMB81.9 thousand from sales of CU-40102 in the year ended December 31, 2022. Our Phase III clinical trial of CU-40102 for the treatment of androgenetic alopecia in Mainland China has completed patient enrollment. We expect to complete the primary endpoint read-out for the Phase III clinical trial in the fourth quarter in 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024. We have the right to obtain market authorization on behalf of Polichem, and Polichem or its designee will be the holder of the marketing authorization in Greater China. Under the pilot commercialization of CU-40102 in Lecheng, Hainan, the product is provided to patients in urgent need by qualified medical institutions. The qualified medical institution determines the pricing and commercialization strategy. Once the commercialization approval from NMPA is obtained, we plan to formulate and adjust the pricing and commercialization strategy in order to market the product in Greater China. Considering that CU-40102 is the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China, the patients base can be

significant larger than that in Hainan, CU-40102 is therefore expected to be priced higher than other direct market competitors or the closest comparable product. After obtaining the approval from the NMPA, we plan to take into account a number of factors, such as the market size, prevalence of population, economic development level, the price of the approved product, patient demand and affordability and retail prices in the country of origin and price sensitivity in Greater China in determining the pricing strategy of CU-40102. We plan to maintain a holistic and consistent business strategy for one specific product such as the higher price strategy of CU-40102 and also a holistic and consistent business strategy for the entire pipeline product portfolio, including CU-20401, CU-40102 and other products. Our Directors believe that the holistic and consistent business strategy for both one specific product and the entire pipeline product portfolio helps to minimize the impact of price fluctuations of an individual specific product on our overall future development. Thus, the change in the pricing and commercialisation strategy for CU-40102 would not have a material impact to our overall sales performance.

#### ***Material Communications with Competent Authorities***

We filed an IND application for the Phase III clinical trial for CU-40102 to the NMPA on July 14, 2021 based on the previous completed Phase III clinical trial data sponsored by Polichem. The NMPA issued the IND approval for the Phase III clinical trial on September 27, 2021 and also recommended conducting a supplemental PK study in order to examine the metabolism profile after CU-40102 treatment. Therefore, we initiated both Phase I clinical trial for PK study that is equivalent to the supplemental PK study as recommended by the NMPA and Phase III clinical trial for safety and efficacy for CU-40102. The approval for pilot commercialization of CU-40102 from Hainan Medical Products Administration was received on July 27, 2021. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any regulatory non-compliance issues or drug safety concerns and complaints, product recalls and medical incidents for CU-40102.

We had not received any relevant regulatory agency's objections to our clinical development plans as of the Latest Practicable Date.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-40102 SUCCESSFULLY.**

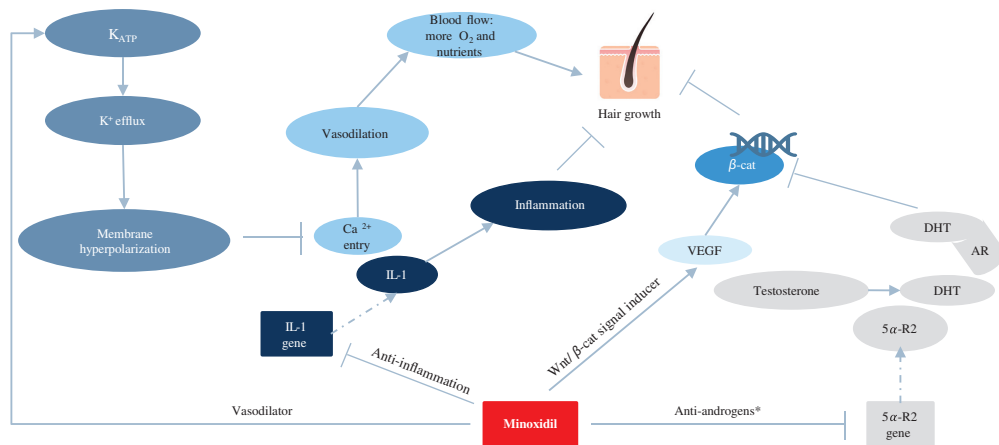
#### **CU-40103: Pre-clinical Stage Minoxidil Foam**

CU-40103 is a self-developed topical minoxidil foam for the treatment of alopecia. CU-40103 is expected to adopt a differentiated elegant foam formulation and become an alternative addition to the existing minoxidil tinctures and liniments in the market. It features a much less greasy texture that enables better user experience. We are currently conducting the pre-clinical study of CU-40103. We plan to submit an ANDA for alopecia to the NMPA in the third quarter of 2024. We believe that CU-40103 has the potential to capture enormous commercial benefit from its differentiated dosage form as well as the growing scalp disease treatment demands in China.

***Mechanism of Action***

Minoxidil is a small molecule peripheral vasodilator and converts into an active form minoxidil sulphate with the help of sulfotransferase. Minoxidil promotes hair growth in multiple ways. First, it acts as an adenosine 5'-triphosphate-sensitive potassium channel opener to result in outflow of potassium and hyperpolarization of cell membranes. It accordingly relaxes muscle walls and widens blood vessels, allowing blood to flow more easily to the scalp and hair follicles and prompting more nutrients and oxygen to reach the hair follicles. Second, the hair cycle is a highly regulated process consisting of four distinct phases: anagen (growth phase), catagen (transitional phase signaling the end of active hair growth), telogen (resting phase) and exogen phase (shedding phase). Minoxidil contains a nitric oxide moiety and may act as a nitric oxide agonist. This may shorten the resting phase of hair follicles and promote hair follicles in the resting phase to enter the growth phase as early as possible, thus achieving the effect of promoting hair growth. Third, minoxidil stimulates prostaglandin E2 production, enhances prostaglandin E2 receptor expression, but inhibits prostacyclin production, thereby enabling hair follicles to grow continuously. *In vitro* minoxidil treatment in monocultures of various skin and hair follicle cell types stimulates cell proliferation. *In vitro* minoxidil treatment also resulted in a 0.22-fold change for 5 alpha-reductase, suggesting an anti-androgenetic effect of minoxidil to stimulate hair growth.

The diagram below illustrates the mechanism of action minoxidil, the active ingredient of CU-40103:



*Abbreviations: K: potassium; IL: interleukin; Ca: calcium; O<sub>2</sub>: oxygen; VEGF: vascular endothelial growth factor; Wnt: wntless-related integration site; β-cat: beta-catenin; 5α-R2: 5 alpha-reductase; DHT: dihydrotestosterone; AR: androgen receptor*

*Source: Frost & Sullivan analysis*

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-40103 SUCCESSFULLY.**

## CU-40101: Phase I Clinical-Stage Topical Liniment of Small Molecule Hormone Receptor Agonist

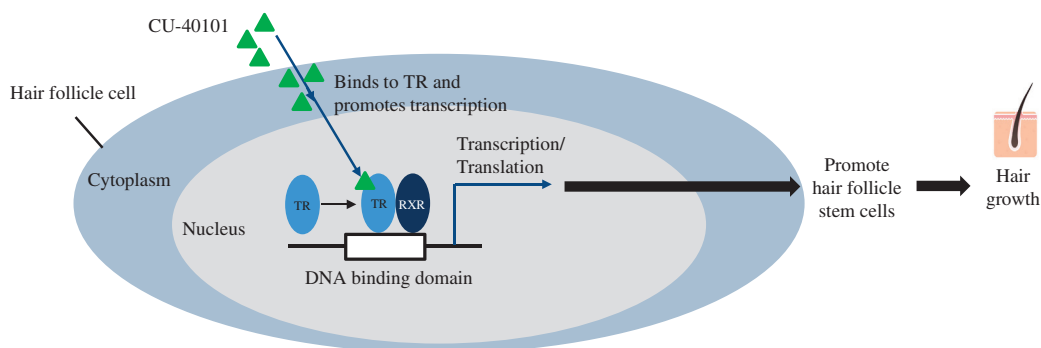
### Overview

CU-40101 is an in-licensed topical liniment to treat androgenetic alopecia. We in-licensed CU-40101 from TechnoDerma Medicines Inc. in May 2020. It contains a potent small molecule hormone receptor agonist that binds to thyroid receptor in hair follicle cells and induces hair growth. CU-40101 is to be applied to the scalp directly, reducing systemic exposure to the drug and the associated adverse effects. CU-40101 is differentiated from current available androgenetic alopecia treatment in its mechanism of action and the potential to be used in both male and female patients. We are currently running a Phase I dose escalation trial in China to evaluate the safety and tolerability of CU-40101 as an alternative therapeutic agent in promoting hair growth in patients with androgenetic alopecia. We enrolled the first patient in a Phase I clinical trial to treat androgenetic alopecia in September 2022 in China, and we expect to complete the Phase I clinical trial in the second quarter of 2024.

### Mechanism of Action

CU-40101, N1-(3,5-dichloro-4-(3-(4-fluorobenzyl)-4-hydroxyphenoxy)phenyl)-N2-hydroxyoxalamide, is a potent small molecule thyroid hormone receptor agonist. CU-40101 binds to thyroid hormone receptor in hair follicle cells and induces hair growth by promoting hair follicle stem cell to initiate hair growth, a programmed regeneration process that runs automatically once initiated. The skin is a recognized target of thyroid hormones. The biological activity of thyroid hormones is mediated through the nuclear thyroid hormone receptor. These effects are mediated in part through ligand-specific interactions of the thyroid hormone receptor with its partner retinoid X receptor and the binding of these transcription factors to specific promoter regions of the thyroid hormone response gene. The expression of thyroid hormone receptor is localized in the nuclei of human hair follicle outer hair root sheath and dermal papilla cells, suggesting a role for thyroid hormones in hair growth. Thyroid hormones have been shown to stimulate epidermal proliferation and hair growth in animals. On the other hand, hypothyroidism causes hair loss, with symptoms of lusterless, brittle hairs and increased percentage of resting hair follicles.

The diagram below illustrates the mechanism of action of CU-40101:



Source: Frost & Sullivan analysis

### ***Competitive Advantages***

We believe that CU-40101 has the following advantages:

#### ***Stimulating Growth of Hair Follicles in Resting Phase***

The pre-clinical studies have shown that CU-40101 can stimulate growth of hair in resting phase in a dose-dependent manner when applied topically. In the *in vivo* hair growth model in C3H mice, the hairs on the dorsal skin are in resting phase from about 6-14 weeks after birth. The hairs cycle phase on the dorsal skin of C3H mice at about 7 weeks of age is in the resting phase, characterized by pink skin, and the hair on the lower back of the mice is shaved to prepare the skin for administration. The vehicle (propylene glycol/ethanol, 30/70, negative control) or test compounds, including CU-40101 and minoxidil, is applied to an area near the base of the tail. Application of CU-40101 induced hair growth prior to the next natural growth phase, presumably by activating hair follicles in resting phase into the growth phase. In comparison, hair growth was not observed in any mice in the vehicle control or minoxidil groups, suggesting that minoxidil had no effect at all on the hair follicles in resting phase of the mice experimental model.

#### ***Low Systemic Drug Exposure***

Pre-clinical studies showed that topical administration of CU-40101 solution at doses of 0.28 and 1.4 mg/kg (0.05% and 0.25%) in British guinea pigs caused no skin or systemic allergic reactions. The pre-clinical pharmacokinetic studies showed that after a single topical application of CU-40101 at 0.001-0.02 mg/mouse or 0.11-2.2 mg/pig, plasma CU-40101 concentrations were below the limit of quantification by 0.1 ng/mL.

#### ***Licensing***

On April 17, 2020, we entered into a licensing agreement (the “**CU-40101 Agreement**”) with TechnoDerma Medicines Inc. (“**TechnoDerma**”). Pursuant to the CU-40101 Agreement, TechnoDerma grants to us an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indication of hair growth. For more details, see “– Collaboration and Licensing Arrangements – CU-40101 Agreement.”

#### ***Clinical Development Plan***

We are currently conducting a Phase I clinical trial to evaluate the safety, tolerability and pharmacokinetics of single and multiple doses of CU-40101 liniment formulation in adult male patients with androgenetic alopecia in China. We expect to enroll 62 patients, including 32 patients of single-dose dose escalation cohort and 30 patients of multi-dose dose escalation cohort. The primary endpoints for the Phase I trial are to evaluate the safety, immunogenicity, tolerability and pharmacokinetics of single and multiple doses of CU-40101 liniment



formulation. Additional endpoints include hair count change at target area. We enrolled the first patient in the Phase I clinical trial in September 2022 in China, and we expect to complete the Phase I clinical trial in the second quarter of 2024.

***Material Communications with Competent Authorities***

We filed an IND application for a Phase I clinical trial to evaluate the safety, tolerability and pharmacokinetics of single and multiple doses of CU-40101 liniment formulation with the NMPA on September 26, 2021, and received the NMPA approval to conduct Phase I clinical trial on December 17, 2021.

We had not received any relevant regulatory agency's objections to our clinical development plan as of the Latest Practicable Date.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-40101 SUCCESSFULLY.**

**CU-40104: Pre-clinical Stage Topical Dutasteride**

CU-40104 is a self-developed topical dutasteride to treat androgenetic alopecia. Although dutasteride has not been approved for androgenetic alopecia in China, it has been approved by the FDA for the treatment of alopecia in the U.S. The FDA approved dutasteride for the indication of male symptomatic benign prostatic hyperplasia. In clinical trials, oral dutasteride developed by GSK plc has demonstrated superior clinical data with a statistically significant difference in treating androgenetic alopecia compared to oral finasteride. CU-40104's topical formulation is being developed for direct dutasteride application to the site of action on the scalp. The topical formulation is expected to reduce systemic exposure and side effects as compared with oral dutasteride and is expected to be approved for the treatment of androgenetic alopecia. We are currently conducting the pre-clinical study of CU-40104. We, as the sole sponsor of the Phase I clinical trial, plan to submit an IND application to the NMPA in the fourth quarter of 2024.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CU-40104 SUCCESSFULLY.**

**SKIN DISEASES AND CARE**

Current treatments for common skin diseases include systemic agents, topical therapies and physical therapy. However, due to drug resistance from long treatment duration, the lack of novel or effective treatments and the unclear pathology of skin diseases, current therapies are unlikely to have durable and consistent response and patients are generally prone to relapse. We are currently developing three skin disease products, including CU-10201 for the treatment of moderate to severe acne vulgaris, CU-10101 for the treatment of atopic dermatitis and CU-10401 for the treatment of psoriasis, to capture the growing market of skin diseases and care products in China. It is estimated that the skin diseases and care market will increase from

RMB352.6 billion in 2021 to RMB493.3 billion in 2025, representing a CAGR of 8.8%, and further increase to RMB740.2 billion in 2030, representing a CAGR of 8.5% from 2025 to 2030, according to Frost & Sullivan. To complement our current skin diseases and care product candidates under development, we, one of our entities in Mainland China as the contracting party, also engage third parties to develop, manufacture and then sell certain skin care products, including facial masks, creams, toners, sprays, serums and gels (the “Routine Skin Care Products”) through Tmall e-commerce platform, for daily care and post-treatment maintenance in the PRC.

### **Key Product CU-10201: Phase III Clinical-Stage Topical Minocycline Foam**

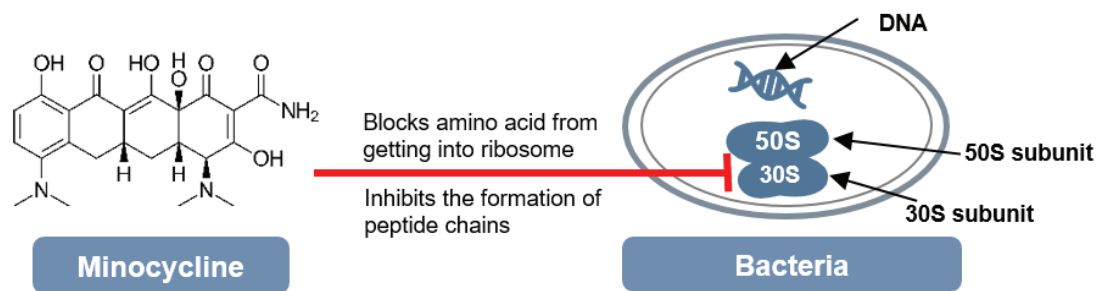
#### ***Overview***

CU-10201 is an in-licensed product and the first and only topical minocycline approved for acne vulgaris treatment globally. We in-licensed CU-10201 from Foamix Pharmaceuticals Ltd. in April 2020. Foamix was a subsidiary of Menlo Therapeutics Inc. (Nasdaq: MNLO), whose corporate name was changed to VYNE Therapeutics Inc. (Nasdaq: VYNE) in late 2020. FDA approved CU-10201 for the treatment of moderate to severe acne vulgaris in the United States in 2019 under the brand name Amzeeq™, with Foamix Pharmaceuticals Inc. as the marketing authorization holder. Minocycline exhibits broad-spectrum antibacterial activity. The currently available minocycline products are primarily oral medications. With a topical formulation, CU-10201 can be delivered to the acne lesions, thereby significantly reducing systemic exposure and incidence of associated adverse events. We are currently evaluating the therapeutic potential of CU-10201 for the treatment of moderate to severe acne vulgaris in a Phase III clinical trial in China. We completed the primary endpoint read-out for the Phase III clinical trial in February 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.

#### ***Mechanism of Action***

Minocycline is a widely applied antibiotic and can be used to treat a number of bacterial infections and skin diseases, including acne vulgaris. Minocyclines blocks amino acid from getting into ribosome such that the formation of peptide chains of bacteria is inhibited. Acne vulgaris has a multifactorial etiology including inflammation and infection. Obstruction of hair follicles and the accompanying sebaceous glands, follicular colonization by *Cutibacterium acnes* and production of multiple pro-inflammatory cytokines may lead to the formation of non-inflammatory and inflammatory lesions. Minocycline exhibits broad-spectrum antibacterial activity against a wide range of microorganisms including *C. acnes* and other reported pathogens in skin infections, such as *Staphylococcus aureus*, *Streptococcus spp.*, *Pseudomonas aeruginosa* and methicillin-resistant strains of *Staphylococcus epidermidis*. Minocycline also possesses anti-inflammatory properties that may help alleviate acne vulgaris by exhausting TNF $\alpha$ /INF- $\gamma$  and downregulating pro-inflammatory cytokine secretion to inhibit apoptosis.

The diagram below illustrates the mechanism of action of CU-10201:



Source: Frost & Sullivan analysis

### Market Opportunities

Acne vulgaris is a chronic inflammatory dermatosis notable for open or closed comedones and inflammatory lesions, such as papules, pustules, or nodules. Acne vulgaris is a common skin disease in particular in adolescents and young adults. It can cause significant physical and psychological morbidity, such as permanent scarring, poor self-image, depression and anxiety. According to Frost & Sullivan, the prevalence of acne vulgaris in China increased from 118.5 million in 2017 to 120.5 million in 2021, representing a CAGR of 0.4%, and is expected to reach 122.0 million in 2025, representing a CAGR of 0.3% from 2021 to 2025 and 123.1 million in 2030, representing a CAGR of 0.2% from 2025 to 2030, suggesting a large market size in China.

Treatment options include hormonal agents (anti-androgen treatments), topical therapies, systemic antibiotics and isotretinoin. However, the use of antibiotics, especially oral antibiotics, faces the rising problem of drug resistance, which not only undermines the clinical efficacy of acne treatment, but also leads to the emergence of other resistant bacteria strains through plasmid transmission of resistance genes, thus increasing the risk of multi-drug resistant infections such as upper respiratory tract infections and pneumonia. Other common topical therapies for acne including benzoyl peroxide, topical retinoids and various types of acids often cause some degree of skin irritation especially at early stage of use. These treatments need to be started with a lower dose and gradually increased over time. Such process can be time consuming, and many patients fail to build up skin tolerance or self-identify and apply the appropriate amount of drugs that exerts clinical efficacy while not inducing serious skin irritation. Failure in doing so leads to poor compliance to the therapy and hence lack of efficacy. Another treatment option for moderate to severe acne is oral isotretinoin with a variety of limitations, including side effects such as dry lips, dry eyes, depression, hair loss, birth defects, strict contraindication for pregnant females, and long duration of treatment. It usually takes months to show desired effects after administration and the patients may experience breakouts during initial stage due to the side effects.

Our Key Product CU-10201, is the first and only topical minocycline approved for acne vulgaris treatment globally. Minocycline is a tetracycline antibiotic used to treat a number of bacterial infections and acne vulgaris. Compared to other major anti-acne antibiotics, topical minocycline foam has fewer side effects, a lower rate of drug resistance, and likely higher patient compliance. In addition, the highly lipophilic nature of minocycline allows it to concentrate in hair follicles and sebaceous glands.

***Competitive Advantages***

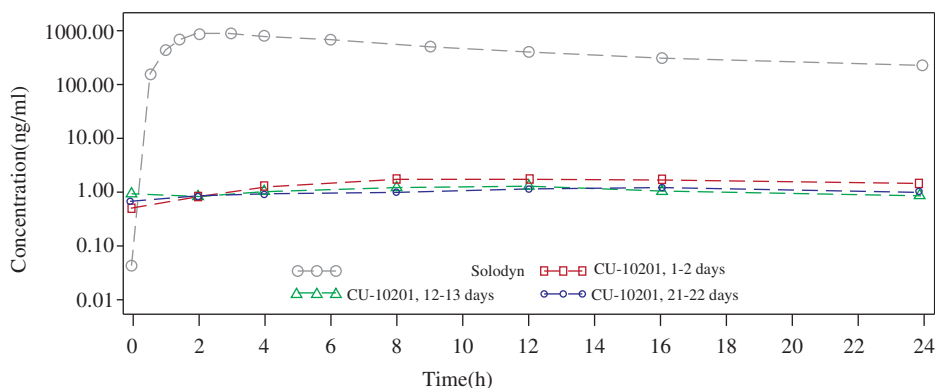
We believe CU-10201 has the following advantages:

***Low Systemic Drug Exposure***

CU-10201 is the foam form of 4% minocycline hydrochloride. A pharmacokinetic study comparing topical administration of CU-10201 and oral administration of solodyn, the minocycline hydrochloride extended-release tablet, showed that CU-10201 exhibited significantly lower systemic drug exposure. 30 subjects received a single dose of Solodyn (Stage 1) at approximately 1 mg/kg, and after one week, the subjects received CU-10201 (Stage 2) for 21 days, with topical administration of around 4g CU-10201 on face, neck, upper chest, upper back, shoulders and upper arms of subjects. Blood samples were collected for both stages to determine the minocycline plasma concentrations.

Compared to oral minocycline medication solodyn, the topical formulation of CU-10201 exhibited significantly lower systemic drug exposure, as indicated by the plasma drug concentration showed in the following figure. The relative bioavailability of minocycline of CU-10201 compared to solodyn was 0.126% on day 12 and 0.131% on day 21 based on Cmax, and 0.134% and 0.137% based on AUC. The systemic exposure amount of minocycline of daily administration of CU-10201 at a maximum dose of 4g for up to 21 days was 730-794 times lower than that of oral administration of solodyn at around 1 mg/kg minocycline.

**Average plasma drug concentration of minocycline of acne patients after oral application of Solodyn® and topical application of CU-10201 – time curve (semi logarithmic ratio)**



Source: Company data based on Phase III clinical trial of CU-10201 for moderate-to-severe acne vulgaris sponsored by Foamix

### *Strong Antibacterial Activity against C. Acnes and Low Incidence of Resistance*

*C. acnes* plays an important role in the pathogenesis of acne vulgaris. CU-10201 has very broad-spectrum antibacterial activity against a variety of microorganisms, including *C. acnes*, and other microorganisms reported in various skin infections, In the *in vitro* antibacterial activity study, CU-10201 has the largest inhibition of diameter among CU-10201, placebo and fucidin (a topical antibiotic commonly used to treat inflammatory lesions in acne vulgaris and other bacterial skin infections).

In addition, spontaneous resistance to CU-10201 occurred at a frequency of  $<1 \times 10^{-8}$  in seven *C. acnes* strains. After 15 consecutive passages of *C. acnes*, CU-10201 still had potent antibacterial activity against *C. acnes*. Therefore, *C. acnes* has low incidence of resistance to minocycline treatment.

### ***Summary of Clinical Trial Results***

The clinical pharmacology, efficacy and safety trials of CU-10201 have been conducted through a clinical development program consisting of 11 completed clinical trials conducted by Foamix. We are conducting a bridging Phase III clinical trial for efficacy and safety in patients with moderate-to-severe acne vulgaris. Among these trials, CU-10201 was generally well-tolerated in patients and showed evidence of efficacy. We present the results of key clinical trials below.

#### *Phase III Bridging Clinical Trial of CU-10201 for Moderate-to-Severe Acne Vulgaris Sponsored by us*

Overview. This was a multi-center, randomized, double-blind, placebo-controlled Phase III bridging clinical trial in patients  $\geq 9$  years old with moderate-to-severe acne vulgaris. The trial is designed to assess the efficacy and safety of the CU-10201 in China. The regulatory authority of this trial is the NMPA.

Trial design. The CU-10201 group was treated once-daily with CU-10201 by smearing the facial acne site for 12 consecutive weeks. The control group was treated once-daily with the vehicle by smearing the facial acne site for 12 consecutive weeks. The primary objective of the Phase III clinical trial was to test the safety and efficacy of CU-10201 against vehicle after 12-week treatment of acne. The primary efficacy endpoint of this clinical trial was the change of inflammatory lesion count against the baseline after 12-week treatment. The secondary efficacy endpoints of this clinical trial included the successful rate based on investigator general assessment (IGA) score after 12-week treatment, the change of non-inflammatory lesion count against the baseline after 12-week treatment and the change of inflammatory lesion count against the baseline after 4- and 8-week treatment. The safety endpoints included treatment emergent adverse events, clinical laboratory tests, physical examination, vital signs measurements, and local skin tolerance assessment scores (including erythema, dryness, peeling, and hyperpigmentation).

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## BUSINESS

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Trial status. We initiated the trial in April 2021 and planned to enroll 372 patients with moderate-to-severe acne vulgaris. All 372 patients had been enrolled by the end of June 2022. We are collecting clinical data, and no preliminary clinical result is available for analysis.

*Phase III Clinical Trial of CU-10201 for Moderate-to-Severe Acne Vulgaris Sponsored by Foamix*

Overview. This was a randomized, multi-center, double-blind, placebo-controlled, 2-arm, 12-week Phase III clinical trial of efficacy and safety for the treatment of patients with moderate to severe acne vulgaris in the U.S. The regulatory authority of this trial is the FDA. All primary endpoints were met.

Trial design. The patients were randomized to receive either CU-10201 or placebo treatments. The endpoints were to evaluate efficacy, including acne lesion count and investigator's global assessment. Additional efficacy endpoints included a subject satisfaction questionnaire with eight questions. The safety evaluation included treatment emergent adverse events, clinical laboratory tests, physical examination, vital signs measurements, and local skin tolerance assessment scores (including erythema, dryness, peeling, and hyperpigmentation).

Trial status. Foamix enrolled 1,488 patients aged between 9 to 66 years old and completed the clinical trial in 2018.

Safety data. The frequency of treatment emergent adverse events and other safety-related effects was low and no clinically significant trends were observed. The topical treatment with CU-10201 or the placebo topical treatment for 12 weeks was shown to be safe and well tolerated for patients with moderate to severe acne vulgaris. The majority of reported treatment emergent adverse events were mild and not treatment-related. No other safety indicators (e.g., clinical laboratory tests, vital signs tests, physical examinations) demonstrated any safety concerns with CU-10201 topical treatment.

Efficacy data. In the analysis of the primary endpoint of change from baseline in inflammatory lesion counts, the estimated mean change from baseline to 12 weeks was 16.93 in the CU-10201 treatment group and 13.40 in the placebo treatment group. In the analysis of the primary endpoint of treatment success based on investigator's global assessment scores, the successful treatment rate at 12 weeks reached 30.80% in the CU-10201 treatment group and 19.63% in the placebo treatment group. In the subject satisfaction questionnaire with eight questions administered at 12 weeks, 31.8% of patients in the CU-10201 treatment group were satisfied and 34.9% were very satisfied with the product and its acne treatment effects, compared with 20.8% and 24.6% in placebo treatments group, respectively. The treatment with CU-10201 for 12 weeks was superior than placebo treatment in reducing the number of inflammatory and non-inflammatory acne lesions, and achieved treatment success as evaluated by investigator's global assessment.

***Licensing and Post-licensing R&D***

On April 21, 2020, we entered into a licensing agreement (the “**CU-10201 Agreement**”) with Foamix. Pursuant to the CU-10201 Agreement, Foamix grants to us an exclusive, royalty-bearing license, which includes the patents, know-how and trademarks, with the right to sublicense, to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China including Mainland China, Taiwan, Hong Kong and Macao. Foamix was a subsidiary of Menlo Therapeutics Inc. (Nasdaq: MNLO), whose corporate name was changed to VYNE Therapeutics Inc. (Nasdaq: VYNE) in late 2020. VYNE Therapeutics Inc. had assigned the rights and obligations under the CU-10201 Agreement to Journey Medical Corporation effective as of January 12, 2022. For more details about the agreement, see “– Collaboration and Licensing Arrangements – CU-10201 Agreement.”

We are currently conducting clinical trials for CU-10201 to determine its safety and efficacy. Furthermore, in order to conduct the pilot commercialization of CU-10201 in Boao Pilot Zone, we collaborated with an independent third party agency in Hainan, identified a target collaboration institution located in the Boao Pilot Zone, determined the urgently needed use for CU-10201, monitored and advanced the collaboration and pilot commercialization of CU-10201. Considering that we are not the marketing authorization holder of CU-10201, any non-compliance and drug safety issue would need to be reported to the marketing authorization holder and according to the CU-10201 Agreement, we are not mandated to take responsibility for such issue.

***Clinical Development Plan***

We, as the sponsor, are currently conducting a bridging Phase III clinical trial for CU-10201, and we have commenced pilot commercialization of CU-10201 in Lecheng, Hainan since July 2021. A bridging clinical trial is a clinical trial performed in a new region to provide safety and efficacy data that allow extrapolation of the foreign clinical data to the population in the new region. We filed the bridging Phase III clinical trial IND application in January 2021 based on data from the previous completed Phase III clinical trial sponsored by Foamix in order to initiate Phase III clinical trial directly. We completed the primary endpoint read-out for the Phase III clinical trial in February 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024. Foamix is the marketing authorization holder and we are acting as agent of Foamix to fulfil Foamix’ obligation. Under the pilot commercialization of CU-10201 in Lecheng, Hainan, the product is provided to patients in urgent need by qualified medical institutions. The qualified medical institution determines the pricing and commercialization strategy. Once the commercialization approval from NMPA is obtained, we plan to change the pricing and commercialization strategy in order to market the product in Greater China. CU-10201 is expected to be priced higher than direct market competitors or the closest comparable product. After obtaining the approval from the NMPA, we plan to take into account a number of factors, such as the market size, prevalence of population, economic development level, the price of the approved product, patient demand and affordability and

retail prices in the country of origin and price sensitivity in Greater China in determining the pricing strategy of CU-10201. Our Directors believe that we have maintained a holistic and consistent business strategy for our products which helps to minimize the impact on overall future development due to price fluctuations of individual products. Thus, the change in the pricing and commercialisation strategy for CU-10201 would not have a material impact to our overall sales performance.

#### ***Material Communications with Competent Authorities***

We filed an IND application to the Phase III clinical trial to assess the efficacy and safety of CU-10201 treating moderate-to-severe acne vulgaris to NMPA in January 2021 and received IND approval in April 2021. The approval for pilot commercialization of CU-10201 from Hainan Medical Products Administration was received on July 27, 2021. For more details of the regulatory framework of CU-10201 for pilot commercialization, see “Regulatory Overview – Regulations on Pharmaceutical Product Development, Approval and Registration – Regulations on the Clinical Trials and Registration of Drugs – Import of Urgently Needed Drug in Boao Pilot Zone” in this Prospectus. We commenced the pilot commercialization of CU-10201 in August 2021 and recorded a revenue of RMB23.1 thousand from sales of CU-10201 for the year ended December 31, 2022. We did not record revenue in 2021 because under our arrangement with our Hainan distributor, the distributor is entitled to return the products based on agreed grounds resulting in that the revenue would only be recognized when the distributor sells the products to the end users. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any regulatory non-compliance issues or drug safety concerns and complaints, product recalls and medical incidents for CU-10201.

We had not received any relevant regulatory agency’s objections to our clinical trials as of the Latest Practicable Date.

#### **WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-10201 SUCCESSFULLY.**

#### **CU-10101: Pre-clinical Stage Small Molecule Drug**

##### ***Overview***

CU-10101 is an in-licensed non-hormonal, small molecule drug targeting atopic dermatitis. We in-licensed CU-10101 in from Wuhan Yingnashi Pharmaceutical Co., Ltd. (武漢英納氏藥業有限公司) in November 2019. For atopic dermatitis, the therapeutic options are limited and mainly include corticosteroids, calcineurin inhibitors, systemic immunosuppressants, and targeted biologics and small-molecule drugs. Topical steroids are the most commonly prescribed therapies for atopic dermatitis. Most targeted biologics and small molecule drugs for atopic dermatitis require subcutaneous or oral administration, where systemic exposure causes a higher risk of side effects and lower patient compliance than topical treatments. The first FDA-approved topical JAK inhibitor for the treatment of atopic dermatitis, opzelura (ruxolitinib) cream, developed by Incyte, can only be used for short-term



and non-continuous chronic treatment of patients with mild to moderate atopic dermatitis. The non-hormonal properties of CU-10101 may reduce the side effects and restrictions associated with corticosteroids and it features a topical formulation that can reach the affected areas directly. We are conducting the pre-clinical study of CU-10101. We plan to submit an IND application to the NMPA in the second quarter of 2024.

### ***Market Opportunities***

Atopic dermatitis offers a wide clinical spectrum ranging from minor forms such as pityriasis alba (dry depigmented patches) or hand eczema to major forms with erythrodermic rash. Pruritus and chronic or relapsing eczematous lesions with typical shape and distribution are the major symptoms. Atopic dermatitis can have a detrimental effect on the quality of life of patients and their families on social, academic, and occupational aspects due to strong and lasting itching and the appearance of dermatitis lesions. Atopic dermatitis places a considerable financial burden on patients, their families, and society as a whole through direct medical costs and decreased productivity. According to Frost & Sullivan, the prevalence of atopic dermatitis in China increased from 62.4 million in 2017 to 69.1 million in 2021, representing a CAGR of 2.6%, and is expected to reach 75.2 million in 2025, representing a CAGR of 2.2% from 2021 to 2025 and 81.7 million in 2030, representing a CAGR of 1.7% from 2025 to 2030, suggesting a large market size in China.

### ***Competitive Advantages***

We believe CU-10101 has the following advantages:

#### ***Promising Potency against Atopic Dermatitis***

The *in vitro* cell model efficacy test results demonstrated that CU-10101 with active pharmaceutical ingredient 3,5-dihydroxy-4-isopropylidiphenylethane has favorable efficacy in several classic atopic dermatitis models, such as 3D epidermal skin model, macrophage inflammation model and keratinocyte model. In the Poly I:C+LPS stimulated 3D epidermal skin model (Epikutis<sup>®</sup>) test, four groups of the skin model were treated with 1) culture medium (for blind control group), 2) PolyI:C+LPS stimulation solution (for negative control group), 3) 0.01% dexamethasone (a corticosteroid hormone) or 50 $\mu$ M WY14643 (an agonist of peroxisomal proliferation activates receptors) (for positive control group) and 4) 0.0039mg/mL (25 $\mu$ L) and 0.001mg/mL (25 $\mu$ L) CU-10101 (for test group). The results showed that both 0.0039mg/mL and 0.001mg/mL CU-10101 improve tissue morphology, inhibit the secretion of thymic stromal lymphopoietin (TSLP) and enhance the expression of barrier-related proteins filaggrin (FLG) and loricrin (LOR), thus achieving soothing effects. The macrophage inflammation model test showed the anti-inflammation effects and soothing effects for CU-10101 by inhibiting IL-1 $\beta$ , IL-6, TNF $\alpha$ , PGE2 and NO levels, and the keratinocyte model test showed soothing effects by inhibiting TRPV1 (transient receptor potential cation channel subfamily V member 1) protein level. Thus, CU-10101 has soothing effects and anti-inflammation effects to potentially achieve favorable efficacy for atopic dermatitis treatment.

### *Optimized Formulation and Improved Atopic Dermatitis Patients' Skin Friendliness*

The ointment formulation has been optimized to mitigate the photo-instability nature of the compound itself. Atopic dermatitis patients have impaired skin barrier function. The ointment dosage form is believed to improve skin barrier function. The topical dosage forms of approved atopic dermatitis medications include ointment, cream, gel and solution. Ointment is an oil-based semisolid preparation that comprises less than 20% water and volatiles, and more than 50% hydrocarbons, waxes, or polyols as the vehicle. Ointment is thicker and has a longer duration of action than other common dosage forms.

### *Licensing and In-licensing R&D activities*

Before in-license in November 2019, the licensor obtained a patent for CU-10101 based on their chemical works and efficacy studies. After in-licensing, we conducted analysis from pre-clinical and CMC perspectives and prepared research and development plan. We have devoted considerable amount of time and resources to the R&D work of CU-10101, which includes, among others, development of a new ointment formulation for the CU-10101 compound, and pre-clinical *in vitro/vivo* efficacy studies in cells and animal.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-10101 SUCCESSFULLY.**

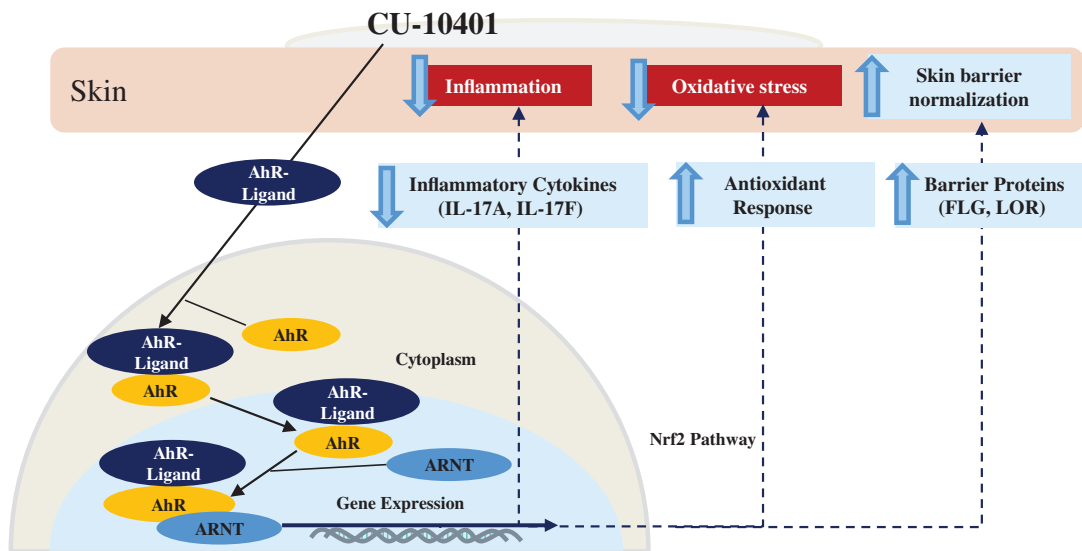
### **CU-10401: Pre-clinical Stage Generic Tapinarof Cream**

#### *Overview*

CU-10401, an acquired AhR targeted non-steroidal small molecule chemical drug in topical form, is a generic tapinarof cream targeting psoriasis currently being developed in pre-clinical stage. We acquired CU-10401 from Wuhan Yingnashi Pharmaceutical Co., Ltd. (武漢英納氏藥業有限公司) in June 2020. Current treatments for psoriasis include topical therapy, phototherapy and systemic therapies. Topical treatments are usually the first-line treatments used for mild to moderate psoriasis, but it may take up to six weeks before there is a noticeable effect. Phototherapy requires routine visits to hospitals with phototherapy equipment and can bring significant inconvenience to patients' daily life. Systemic therapies are not able to induce clinical responses in all patients and may cause serious side effects including higher risk of severe infection. As a result, there has been unmet needs for safer and more effective treatments. The active ingredient of CU-10401, tapinarof, is reported to bind and activate AhR, decrease pro-inflammatory cytokines, and regulate skin barrier protein expression to promote skin barrier normalization. Compared with another commonly used topical drug, calcipotriol, tapinarof has a lower recurrence rate without risks of elevated serum calcium which can be caused by calcipotriol. CU-10401 has the potential to become the first generic tapinarof cream approved in China. We are currently conducting the pre-clinical study of CU-10401. We plan to submit an ANDA to the NMPA in 2026.

**Mechanism of Action**

Tapinarof can act as an AhR-ligand to enter into the cell’s cytoplasm once applied to the skin. AhR-ligand can bind and activate the AhR to translocate into the cell’s nucleus. The ligand-activated AhR then heterodimerizes with the aryl hydrocarbon receptor nuclear translocator (ARNT) to form ligand-AhR-ARNT complex which can bind to DNA to modulate gene expression. In such a way, T helper type 17 cytokines can be significantly reduced to mediate inflammation. Meanwhile, antioxidant response is increased via NF-E2-related factor 2 (Nrf2) pathway as well as direct reactive oxygen species scavenging by tapinarof to decrease oxidative stress. Regulation of skin barrier protein expression such as filaggrin (FLG) and loricrin (LOR) upon the binding between ligand-AhR-ARNT complex and DNA can promote skin barrier normalization.



Source: Literature Review, Frost & Sullivan analysis

**Market Opportunities and Competitive Advantages**

Psoriasis is a common, chronic, systemic, immune-mediated inflammatory disease. It speeds up the division cycle of skin cells, causing cells to build up rapidly on the surface of the skin. The extra skin cells form scales and red patches that are itchy and sometimes painful. Psoriasis is a chronic disease that often comes and goes with no curative treatment. The main goal of current treatment is to offer symptoms relief and extend the relapse free duration. According to Frost & Sullivan, the prevalence of psoriasis in China increased from 6.5 million in 2017 to 6.7 million in 2021, representing a CAGR of 0.5%, and is expected to reach 6.8 million in 2025, representing a CAGR of 0.4% from 2021 to 2025 and 6.9 million in 2030, representing a CAGR of 0.2% from 2025 to 2030, suggesting a large market size in China.

***Acquisition and Post-acquisition R&D activities***

Before acquisition in June 2020, CU-10401 was in pre-clinical studies. Wuhan Yingnashi Pharmaceutical Co., Ltd. (武漢英納氏藥業有限公司) has not initiated any clinical trials of CU-10401 globally. After acquisition, we conducted analysis from pre-clinical, CMC and prepared research and development plan. We have devoted considerable amount of time and resources to the R&D work of CU-10401, which includes, among others, developing formulation and domestic manufacture process.

***Competitive Advantages***

The active ingredient of CU-10401, tapinarof, is an AhR targeted drug with mechanism of action involving immune modulation, skin-barrier normalization, and antioxidant activity. It is a non-steroidal small molecule chemical drug and carries a lower risk of adverse effects than topical corticosteroid or other systemic therapies. It has the potential to become a topical therapy with combined advantage in efficacy, safety, and treatment convenience. Compared with calcipotriol, another commonly used topical nonsteroidal agent, CU-10401 demonstrated a lower relapse rate (7.3% vs 8.5%) according to Consensus on the Treatment of Psoriasis with Benvitimod Cream.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-10401 SUCCESSFULLY.**

**TOPICAL ANESTHESIA**

Topical anesthesia offer better patient comfort and eliminate the needle use as well as the associated pain and risk of conventional local anesthesia, such as infection and distortion of wound and systemic absorption of anesthetics, demonstrating the potential for broad application in clinical use. Currently, only two topical anesthetics compound chemical products for puncture and superficial dermatological procedures are approved in China and both of them are compounds of lidocaine and prilocaine. Existing compounded lidocaine and prilocaine topical anesthetics need plastic occlusion and have slow onset and short duration of action, which is not optimal for clinical use.

CU-30101 is a localized lidocaine and tetracaine compound topical anesthesia cream. We acquired in November 2019 all the intellectual property and ownership of CU-30101 in Greater China, consisting Mainland China, Hong Kong, Macao and Taiwan, from Sparkmed Research LLC, a biotech company in the U.S. Compounded lidocaine and prilocaine formula is currently the only marketed topical compounded anesthesia cream in China but has shortcomings such as slow onset, and unsatisfactory anesthetic strength. CU-30101's lidocaine and tetracaine combination formulations produce rapid and long-lasting anesthetic effects due to its ingredients' unique pharmacokinetic properties. Lidocaine diffuses more rapidly, and more extensively than tetracaine, whereas tetracaine, a long-acting amino acid ester, is more lipophilic than lidocaine and can be concentrated in the topical stratum corneum. Systemic absorption of the anesthetic component ingredients is also limited from the topical cream

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formulation. We filed IND application in August 2022 and received the NMPA approval for equivalence clinical trial for CU-30101 in November 2022. We also received the ethic approval for a randomized, multi-center, double-blind, positive drug control, pairing designed Phase III clinical trial to evaluate safety and efficacy for CU-30101 in January 2023, based on the NMPA approval. We initiated the Phase III clinical trial in April 2023 and plan to submit an NDA to the NMPA in 2025.

Before acquisition in November 2019, CU-30101 was a cream prototype and Sparkmed Research LLC provided its formula. Sparkmed Research LLC had not initiated any clinical trials of CU-30101 globally. After acquisition, we had conducted analysis from pre-clinical, CMC and clinical perspectives and prepared research and development plan. We submitted the IND application for a Phase I clinical trial of CU-30101 to the NMPA and obtained approval in November 2022. We have devoted considerable amount of time and resources to the R&D work of CU-30101, including, among others, that (i) we developed the current formulation and conducted a large-scale manufacturing process, (ii) we developed analytical procedures to control product quality, and (iii) after completing a 130kg batch stability study and pre-clinical studies, we submitted a clinical trial application to the NMPA and received approval.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-30101 SUCCESSFULLY.**

### **PRODUCTS FOR DISTRIBUTION**

#### **CUP-MNDE: Commercialized OTC Minoxidil Spray**

CUP-MNDE is a commercialized, over-the-counter minoxidil spray indicated for alopecia, including male patients with progressive thinning or losing hair on the apical area and female patients with overall fragile thinning hair. The active ingredient, minoxidil, is widely used and proven efficacious in clinical trials and clinical practice for male and female hair regrowth. CUP-MNDE is refreshing to be applied to the scalp as a result of its low concentration propylene glycol formulation, which is proven to have much fewer side effects associated with propylene glycol than the competitor minoxidil liquid. The key ingredient of CUP-MNDE is minoxidil, which can promote hair growth by relaxing the muscular walls of blood vessels, allowing blood, nutrients and oxygen to flow more easily to the scalp and hair follicles. CUP-MNDE has been commercialized by its original developer Laboratoires Bailleul in Europe and according to Frost & Sullivan, it is the best-selling minoxidil brand in terms of volume sold in Italy, Portugal and Belgium in 2021.

On June 1, 2021, we entered into a distribution agreement (the “**CUP-MNDE Agreement**”) with Laboratoires Bailleul International S.A. (“**Laboratoires Bailleul**”). Pursuant to the CUP-MNDE Agreement, Laboratoires Bailleul grants to us individual, direct and exclusive distribution rights to develop the distribution and marketing of CUP-MNDE in Mainland China excluding Hong Kong, Macao and Taiwan. For more details, see “– Collaboration and Licensing Arrangements – CUP-MNDE Agreement”. We commenced distribution of CUP-MNDE under the brand name Bailleul in January 2022. During the first

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three years of the CUP-MNDE Agreement, we commit to minimum annual purchase volumes of 56,000, 158,000 and 259,000 units for the first, second and third year, respectively. As confirmed by Laboratoires Bailleul, we had met the minimum annual purchase targets for CUP-MNDE during the Track Record Period and up to the Latest Practicable Date. In the year ended December 31, 2022, we recorded total revenue of RMB9.2 million from sales of CUP-MNDE, 51.2% of which was derived from sales through the Tmall Global e-commerce platform. As of the Latest Practicable Date, there has not been any product recall of CUP-MNDE since entering into the CUP-MNDE Agreement.

As advised by our PRC Legal Advisor, the laws and regulations governing PRC pharmaceutical operation and internet pharmaceutical transaction services are not applicable to our dealing of CUP-MNDE and CUP-SFJH. Such laws and regulations are applicable to the activities of drugs production and transaction within the jurisdiction of the PRC, whereas we do not sell any drugs through our own websites or provide any third parties with internet drug trading services. Our distribution of products is generally conducted by Cutia HK, which is incorporated in Hong Kong and procures CUP-MNDE and CUP-SFJH for distribution. Cutia HK as the contracting party directly sells CUP-MNDE and CUP-SFJH to customers through the Tmall Global e-commerce platform and sells another portion of CUP-MNDE through a distributor in Hong Kong, which then sells our products to a subdistributor, JD Health. Pursuant to the Customer Notice (消費者告知書/用戶須知) displayed on the websites of such third-party cross-border ecommerce platforms, purchases of products thereon are deemed to be overseas purchases, which is acknowledged by the customers. Our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-MNDE and CUP-SFJH.

### **CUP-SFJH: Commercialized Hair Growth Serum**

CUP-SFJH is a commercialized, hair growth serum featuring a non-hormonal formula of natural plant extracts. CUP-SFJH is used for hair loss prevention and hair quality improvement. With its unique liposome technology, CUP-SFJH can transport nutrients to the root of the hair follicles through the double-layer phospholipid membrane wrapping. CUP-SFJH can also be used in combination with our scalp disease drug products to maintain desired results and reduce side effects. We started commercialization of CUP-SFJH under the brand name ESTHECIN in August 2022. CUP-SFJH contains a combination of natural ingredients that are fully plant-based with each ingredient playing a different role in supporting the natural hair growth cycle.

On September 1, 2021, we entered into an agreement (the “**CUP-SFJH Agreement**”) with Van Montfort Laboratories B.V. (“**VML**”). Pursuant to the CUP-SFJH Agreement, VML grants to us the direct and exclusive distribution rights within Mainland China excluding Hong Kong, Macao and Taiwan for CUP-SFJH. For more details, see “– Collaboration and Licensing Arrangements – CUP-SFJH Agreement”. According to the CUP-SFJH Agreement, during the first three years of the CUP-SFJH Agreement, we commit to minimum annual volume of purchases of 20,000, 60,000 and 100,000 units in the first, second and third year, respectively.

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We had met the minimum annual purchase targets for CUP-SFJH during the Track Record Period and up to the Latest Practicable Date. We did not record any sales of CUP-SFJH in 2021. Sales amount of CUP-SFJH was RMB37,000 in 2022. During the Track Record Period, all of the sales of CUP-SFJH was generated on Tmall Global e-commerce platform (Cutia HK as the contracting party). As of the Latest Practicable Date, there has not been any product recall of CUP-SFJH since entering into the CUP-SFJH Agreement.

### COLLABORATION AND LICENSING ARRANGEMENTS

#### CU-20401 Agreement

On August 28, 2020, we entered into an agreement (the “**CU-20401 Agreement**”) with Rejuven Dermaceutical Co., Ltd., (“**Rejuven**”), an Independent Third Party and a PRC company specializing in the R&D of pharmaceutical products in China.

The CU-20401 Agreement specified two parts, namely asset transfer and joint collaboration.

#### *Asset Transfer*

Pursuant to the CU-20401 Agreement, Rejuven has exclusively transferred to us all of the intellectual property and development results related to CU-20401 in Asia (“**Asset Transfer**”).

As confirmed by Rejuven, Rejuven was the sole and exclusive owner of the intellectual property rights of CU-20401 worldwide before the Asset Transfer. After the Asset Transfer, we are the sole and exclusive owner of the intellectual property rights of CU-20401 in Asia and Rejuven is the sole and exclusive owner of the intellectual property rights of CU-20401 in areas outside Asia. We are the market authorization holder of CU-20401 in all markets within Asia. Before, during and after the launch of CU-20401, we have exclusive rights to develop, manufacture and commercialize CU-20401 in Asia for all existing and future potential indications, including but not limited to adipose accumulation management and other indications such as cellulite repair and scar modification. To our best knowledge, we are the sole and exclusive company to have acquired the intellectual property rights of CU-20401 in Asia and based on the confirmation of Rejuven, such intellectual property rights had not been granted by Rejuven to other parties before the Asset Transfer.

As of the Latest Practicable Date, all such intellectual property and information, including know-how, had been transferred to us. We will be the sole owner of any improvements to the transferred patents and data and IP rights that are discovered, generated, developed, invented or created by us in Asia. We will develop and commercialize CU-20401 at our own costs and expenses in Asia, and we are entitled to the ownership and rights with respect to our R&D work of CU-20401 within Asia.

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For the Asset Transfer, we are required to pay an aggregate of RMB20.0 million in non-refundable upfront fees. As of December 31, 2022, we had paid RMB20.0 million as the non-refundable upfront fee.

The Asset Transfer has been irrevocably completed and settled, and nothing will invalidate, void or reverse our exclusive ownership of intellectual property rights for CU-20401 in Asia and will not affect our R&D, manufacturing and commercialization activities in Asia in all material aspects because after such Asset Transfer, we are the sole and exclusive owner of the intellectual property rights of CU-20401 in Asia. The patent transfer has also been recorded with the China National Intellectual Property Administration, and thus we are currently the registered patent owner of the patent for CU-20401 under China Patent Law.

### *Joint Collaboration*

Both parties formed a joint steering committee (“**Joint Steering Committee**”) and held the first meeting. The Joint Steering Committee consisted of two members appointed by each party to regularly discuss the development plan of CU-20401 for current and future expanded indication, and coordinate resources to ensure the effective advancement of the development (“**Joint Collaboration**”) plan for current and future indication expansion. We act as the principal party responsible for executing the clinical development plan formulated together with Rejuven and Rejuven is primarily responsible for advising on the development plan of CU-20401 in Asia. Rejuven will also provide assistance and support in our R&D, manufacturing and registration of CU-20401 in Asia. Rejuven can monitor its clinical progress in the U.S. based on our clinical progress and study results in Asia. We will discuss any adverse event in the clinical results. We do not make any representations and undertakings in the event of unfavorable clinical results. For matters that need to be decided in the development plan, the Joint Steering Committee shall discuss and give a resolution by a majority vote of the Joint Steering Committee members. Each member of the Joint Steering Committee shall have one vote, and if a resolution cannot be made or is disputed, our CEO shall have the final-decision marking authority.

In connection with the Joint Collaboration, we are required to pay Rejuven (i) an aggregate of RMB40.0 million of development milestones payments, and such development milestones include successful completion of first-patient-in in Asia and receipt of regulatory approval for marketing in Asia, (ii) an aggregate of RMB35.0 million of commercial milestones upon achievement of specific levels of aggregate annual net sales for CU-20401 in Asia, and (iii) tiered royalty payments calculated as a percentage of annual net sales of CU-20401 in Asia after its market launch, including (a) 4% of annual net sales of CU-20401 in Asia if the annual net sales are within a specific level, and (b) a further negotiated percentage if the annual net sales of CU-20401 in Asia is more than another specific level. We are not required to pay any tiered royalty payments before the launch of CU-20401 in Asia. As of December 31, 2022, we had paid RMB5.0 million as the first installment of development milestone payment upon first-patient-in of Phase I clinical trial in China.



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Unless terminated earlier, the Joint Collaboration was effective on August 28, 2020 and will expire 20 years after the first commercial launch of CU-20401. After expiration, we are still entitled to continue all development, manufacturing commercialization activities related to CU-20401 in Asia.

The Joint Collaboration can be terminated on the following conditions: (i) a change in management or ownership of a counterparty that materially affects or impedes that party's performance for the Joint Collaboration under the CU-20401 Agreement, which includes, a change in control that leads to (a) our failure to initiate an IND application with any competent authorities in Asia within two years of signing the agreement or failure to complete the first-patient-in in the Phase I clinical trial in Asia within three years; and (b) a delay of more than six months in the CU-20401 clinical progress compared to the development plan, and the breaching party fails to make restitution or cure within 60 days after receiving a written notice from the other party; (ii) insolvency events that a party loses the ability to pay its debts or files for bankruptcy and has appointed an administrator of the bankruptcy estate to administer all or a portion of its assets, or (iii) either party breaches the CU-20401 Agreement and the breaching party fails to make restitution or cure within 10 days after receiving a written notice from the other party or within a mutually agreed period of time.

In the event of expiry or termination of the CU-20401 Agreement, (i) only Asset Transfer will remain to be effective while Joint Collaboration will also to be ceased our obligation to pay milestone payment and tiered royalty payment for the Joint Collaboration will also cease. In the event of termination of the CU-20401 Agreement, (i) we should stop using, return or destroy all Rejuven's documents, which Rejuven delivered to us, which includes patent documents, clinical trial documents and others that are not immaterial to our R&D of CU-20401 in Asia after Asset Transfer, (ii) we need to compensate for all direct losses caused to Rejuven if we fail to make development milestone payments twice or more than twice. If the clinical progress of CU-20401 is delayed for more than six months due to the breaching party's failure to perform its contractual obligations, the breaching party shall compensate all direct losses and additional RMB1.0 million to the other party. In that case, Rejuven should compensate all our direct losses, including but not limited to our settled milestone and royalty payments.

We believe the likelihood that Rejuven will terminate the CU-20401 Agreement is low because (i) the mutual benefit for the Joint Collaboration, Rejuven is our close collaboration partner in Asia and we believe its interest is substantially aligned with us, which would be negatively affected by the termination of the Joint Collaboration; (ii) during the Track Record Period and up to the Latest Practicable Date, we communicated with Rejuven regarding our R&D activities performed and anticipated R&D plans for CU-20401, and we did not experience any conflicts or major issues with Rejuven and Rejuven had not raised any concerns on our clinical progress for the Joint Collaboration; (iii) we had not encountered any significant delays in the clinical progress of CU-20401, even during the COVID-19 pandemic in 2022. In case of termination of Joint Collaboration, we believe its impact on our R&D, manufacturing and commercialization of CU-20401 in Asia is immaterial as (i) we are the main responsible party for development and commercialization of CU-20401 to advance the project and Rejuven is to

provide assistance and advice to our development plan during the Joint Collaboration, (ii) during the Track Record Period and as of the Latest Practicable Date, our R&D of CU-20401 in China did not substantially depend on Rejuven's assistance.

### **CU-40102 Agreement**

On November 2, 2020, we entered into an agreement (the "**CU-40102 Agreement**") with Polichem S.A. ("**Polichem**"), a subsidiary of Almirall, S.A. (BME: ALM) ("**Almirall**"), an Independent Third Party and a global pharmaceutical company specializing in the research, development, manufacturing and marketing of pharmaceutical products. Its major focus is on skin-health pharmaceutical products with principal place of business in Barcelona, Spain.

As confirmed by Almirall, Polichem was the sole and exclusive owner of intellectual property rights, including patents, know-how and trademarks of CU-40102 globally. Pursuant to the CU-40102 Agreement, Polichem grants to us an exclusive, royalty-bearing, non-assignable and non-sublicensable license to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenic alopecia in Greater China consisting of Mainland China, Taiwan, Hong Kong and Macao. Polichem has exclusive rights in the R&D, manufacturing and commercialization of CU-40102 outside Greater China. We can also sublicense the CU-40102 to our affiliates without Polichem's consent, or to third parties with Polichem's prior written consent.

Polichem will deliver to us the available documentation in its possession which is necessary for the purpose of obtaining the marketing authorization, price and reimbursement approval and other registrations, including data relating to chemical production of the API, in Greater China. As of the Latest Practicable Date, all such information, including know-how, had been granted to us. We will develop, obtain the marketing authorization and commercialize CU-40102 at our own costs and expenses and conduct the commercialization activities in Greater China. We have the right to obtain market authorization on behalf of Polichem, and Polichem or its designee will be the holder of the marketing authorization in Greater China.

In consideration of the licenses and rights granted to us, the down payments and the maximum milestone payments payable by us amount to €13.75 million in the aggregate, which includes non-refundable down payments of €5.25 million and milestone payments of €8.5 million consisting of commercial milestone payments, including (1) €0.5 million when annual net sales first meets or exceeds €25 million; (2) €1.5 million when annual net sales first meets or exceeds €50 million; (3) €2.5 million when annual net sales first meets or exceeds €75 million, and (4) €4.0 million when annual net sales first meets or exceeds €100 million. We expect to pay the remaining non-refundable down payment upon the marketing authorization by NMPA and the successful first sales of the CU-40102. We are also obligated to pay royalties of 2% of annual net sales of CU-40102. As of the Latest Practicable Date, we had paid €4 million under the CU-40102 Agreement, which was part of our non-refundable down payments.

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Unless earlier termination, the term for the CU-40102 Agreement is 15 years with automatic renewals. Polichem has the right to terminate the CU-40102 Agreement by serving written notice on us only upon the occurrence of breaches and which are not remedied within 90 calendar days including (a) if we have not received marketing authorization of CU-40102 in Greater China within five years following the filing of IND; (b) if we fail to launch the CU-40102 no later than six months after obtaining the marketing authorization; (c) if we fail to promote and/or sell the product for two consecutive calendar quarters; (d) if we fail to achieve the minimum sales for two consecutive marketing years, with a minimum annual volume of purchases of 16.8, 56.8 and 124.8 thousand units in the first, second and third year after the commercial launch; or (e) certain insolvency events, including (i) filing of a petition in bankruptcy or insolvency, (ii) filing of any petition or answer seeking reorganization, readjustment, or rearrangement of the business of the other party or of any its affiliate under any law or any government regulation relating to bankruptcy or insolvency, (iii) appointment of a receiver for all or substantially all of the property, (iv) assignment or attempted assignment made for the benefit of creditors, or (v) institution of any proceedings for the liquidation or winding up of the business, or for the termination of the corporate charter. If the CU-40102 Agreement is extended, the minimum sales applicable for each calendar year after the marketing year ten shall be agreed between both parties by September 15th of the immediately preceding year. If both parties fail to reach an agreement regarding the minimum sales for a particular year, such minimum sales will be deemed to be 90% of the minimum sales applicable in the respective immediately preceding year. If we fail to achieve the applicable minimum sales for two consecutive marketing years, Polichem shall have the right to terminate the CU-40102 Agreement and claim any damages and losses caused.

We have the right to terminate the CU-40102 Agreement by written notice in case of certain insolvency events on the part of Polichem, including (i) filing of a petition in bankruptcy or insolvency, (ii) filing of any petition or answer seeking reorganization, readjustment, or rearrangement of the business of the other party or of any its affiliate under any law or any government regulation relating to bankruptcy or insolvency, (iii) appointment of a receiver for all or substantially all of the property, (iv) assignment or attempted assignment made for the benefit of creditors, or (v) institution of any proceedings for the liquidation or winding up of the business, or for the termination of the corporate charter.

### **CU-40101 Agreement**

On April 17, 2020, we entered into a licensing agreement (the “**CU-40101 Agreement**”) with TechnoDerma Medicines Inc. (“**TechnoDerma**”), an Independent Third Party and a PRC company specializing in the R&D of pharmaceutical products. The CU-40101 Agreement became effective on May 1, 2020 and will expire 20 years from product launch.

Pursuant to the CU-40101 Agreement, TechnoDerma grants to us an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indication of hair growth (the “**CU-40101 Field**”). TechnoDerma has exclusive rights in the R&D, manufacturing and commercialization of CU-40101 outside Asia. We will develop, obtain marketing authorization and commercialize CU-40101 at our own

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costs and expenses and conduct commercialized activities in the CU-40101 Field in Asia. We will act as the sole owner of CU-40101 in the CU-40101 Field and in Asia for registration filing activities. If we wish to sublicense CU-40101 to a third party within the CU-40101 Field in Asia, we shall notify TechnoDerma in advance and TechnoDerma shall have the right of first refusal under the same conditions. Such sublicense must be approved by TechnoDerma in advance and the third party must continue to perform all rights and obligations under the terms of the CU-40101 Agreement, and we shall be jointly and severally liable for any breach by the third party.

In consideration of the licenses and rights transferred to us, we are required to pay an aggregate of RMB60.0 million, which includes non-refundable upfront fees of RMB15.0 million and development milestone payments of RMB45.0 million. Development milestone includes initiation of a Phase I clinical trial in China, completion of a Phase II clinical trial in Asia with favorable results or we decide to continue a subsequent clinical trial, and receiving marketing approval for the first time in Asia. We are also required to make payments when commercial milestones are met, which relate to the amount of aggregate net sales, such as tiered royalty payments calculated as a low single digit percentage of net sales of CU-40101 in Asia. As of the Latest Practicable Date, we had paid non-refundable upfront fees of RMB15.0 million and development milestone payments of RMB5.0 million under the CU-40101 Agreement.

An early termination of the CU-40101 Agreement can result from (i) a change of control and the other party gives such a party 10 days written notice to terminate the CU-40101 Agreement, including but not limited to, the change of our CEO that materially affects our R&D, manufacturing and commercialization of CU-40101 in Asia, (ii) a party loses the ability to pay its debts or files for bankruptcy and has appointed an administrator of the bankruptcy estate to administer all or a portion of its assets, and (iii) either party breaches the CU-40101 Agreement and the breaching party fails to make restitution or cure within 10 days of receipt of such written notice or within a mutually agreed period of time.

### **CU-10201 Agreement**

On April 21, 2020, we entered into an agreement (the “**CU-10201 Agreement**”) with Foamix, an Independent Third Party and a clinical stage specialty pharmaceutical company focused on developing and commercializing proprietary topical foams to address unmet needs in dermatology. Foamix has been conducting research, development, and commercialization of certain topical minocycline products. Its principal place of business located in Rehovot, Israel.

Pursuant to the CU-10201 Agreement, we are granted an exclusive, royalty-bearing license, to sublicense, to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China including Mainland China, Taiwan, Hong Kong and Macao. Foamix has exclusive rights in the R&D, manufacturing and commercialization of CU-10201 outside Greater China. We can also sublicense the CU-10201 to our affiliates without Foamix’s consent, or to third parties with Foamix’s prior written

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consent. Foamix is the marketing authorization holder and we are acting as agent of Foamix to fulfil Foamix' obligation. Foamix was a subsidiary of Menlo Therapeutics Inc. (Nasdaq: MNLO), whose corporate name was changed to VYNE Therapeutics Inc. (Nasdaq: VYNE) in late 2020. VYNE Therapeutics Inc. had assigned rights and obligations of Foamix under the CU-10201 Agreement to Journey Medical Corporation effective as of January 12, 2022.

As confirmed by Journey Medical Corporation, Foamix was the sole and exclusive intellectual property rights owner of CU-10201 globally. Pursuant to the CU-10201 Agreement, Foamix will provide us with Foamix know-how regarding CU-10201. Foamix and we will organize a joint development committee that will establish a reasonable process and schedule for the transfer of any additional Foamix know-how that subsequently becomes controlled by Foamix or its affiliates. As of the Latest Practicable Date, all such know-how had been provided to us. We conduct all regulatory activities in connection with the development and commercialization of CU-10201 in Greater China. We shall obtain and maintain all regulatory approvals and other relevant regulatory materials necessary to manufacture CU-10201 in Greater China. After we hold regulatory approvals and other relevant regulatory materials necessary for the development and commercialization of CU-10201 in Greater China, we shall be solely responsible for all regulatory activities, including making additional regulatory materials and obtaining additional regulatory approvals for CU-10201 from the NMPA in Greater China.

In consideration of the licenses and rights granted to us, the non-refundable upfront payments and the maximum milestone payments payable by us amount to US\$11.0 million in the aggregate, which includes US\$10.0 million upfront payments, and US\$1.0 million milestone payment within 30 business days after the first regulatory approval of CU-10201 by the NMPA. We are also obligated to pay royalties of 4% of annual net sales of CU-10201. As of the Latest Practicable Date, we had paid non-refundable US\$10.0 million under the CU-10201 Agreement.

Unless terminated earlier, the CU-10201 Agreement shall continue in full force and effect for the later of (i) ten years from the date of first commercial sales of CU-10201 in Greater China, (ii) expiration of the last valid claim of patent covering CU-10201 in Greater China. Foamix has the right to terminate the CU-10201 Agreement by serving written notice on us if we materially breach our obligations under the CU-10201 Agreement and after receiving written notice identifying such material breach in reasonable detail, we fail to cure such material breach within 60 days from the date of such notice, provided that, such cure period shall be extended for up to an additional 60 days upon providing a written plan that reasonably demonstrates the need for such additional time and continuing to cure such breach. We have the right to terminate the CU-10201 Agreement in its entirety (a) at any time for convenience upon 90 days' prior written notice given to Foamix, or (b) upon prior written notice given to Foamix, if a regulatory authority in Greater China including Mainland China, Taiwan, Hong Kong and Macao has ordered us to stop all sales of CU-10201 due to a safety concern; provided that we have, for a period of 90 days prior to the provision of such notice, used commercially reasonable efforts to resolve such safety concern. We also have the right to terminate the CU-10201 Agreement by serving written notice on Foamix if it materially breaches obligations

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under the CU-10201 Agreement and after receiving written notice identifying such material breach in reasonable detail, Foamix fails to cure such material breach within 60 days from the date of such notice, provided that, such cure period shall be extended for up to an additional 60 days upon providing a written plan that reasonably demonstrates the need for such additional time and continuing to cure such breach. In addition, either party may terminate the CU-10201 Agreement if the other party files in any court or agency pursuant to a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that party or of its assets, or if the other party proposes a written agreement of composition or extension of its debts, or if the other party is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition is not dismissed within 60 days after the filing thereof, or if the other party proposes or becomes a party to any dissolution or liquidation, or if the other party makes an assignment for the benefit of its creditors.

### **CUP-MNDE Agreement**

On June 1, 2021, we entered into a distribution agreement (the “**CUP-MNDE Agreement**”) with Laboratoires Bailleul International S.A. (“**Laboratoires Bailleul**”), an Independent Third Party and a pharmaceutical company specializing in the development and marketing of pharmaceutical products, food supplements and dermo-cosmetic products with principal place of business in Genève, Switzerland. Pursuant to the CUP-MNDE Agreement, Laboratoires Bailleul grants to us individual, direct and exclusive distribution rights to develop the distribution and marketing of CUP-MNDE in Mainland China excluding Hong Kong, Macao and Taiwan. Laboratoires Bailleul also authorizes us to use the logos and commercial brands of CUP-MNDE in Mainland China. We shall obtain all necessary marketing authorization and/or registration of the products from the relevant authorities in Mainland China either alone, or with the assistance of Laboratoires Bailleul or a local Independent Third Party chosen by Laboratoires Bailleul.

Laboratoires Bailleul guarantees that all the products it delivers are in compliance with quality assurance specifications, that they are appropriate to the use for which they are sold. Any product not meeting the above conditions will be recalled from us at the expense of Laboratoires Bailleul. During the first three years of the CUP-MNDE Agreement, we commit to minimum annual purchase volumes of 56,000, 158,000 and 259,000 units for the first, second and third year, respectively. As confirmed by Laboratoires Bailleul, we had met the minimum annual purchase targets for CUP-MNDE during the Track Record Period and up to the Latest Practicable Date. We will carry out the promotion and sales of the products in accordance with the strategy validated by Laboratoires Bailleul. We promise to devote 20% of the pre-tax product sales to advertising and promotion. In the event that advertising and promotional expenses for any year were less than the percentage above, the shortfall must be expended in the course of the first quarter of the next year, with no impact on the advertising and promotional expenses which must be expended for next year. Under the CUP-MNDE Agreement, Laboratoires Bailleul is the market authorization holder, and we will obtain market authorization in the name and on behalf of Laboratoires Bailleul. We will be in charge of

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coordinating regulatory activities related to marketing, local distribution and all product sales and marketing activity, including but not limited to the coordination of regulatory non-compliance or complaints in China during the commercialization of CUP-MNDE.

Unless terminated earlier, the CUP-MNDE Agreement has an initial term beginning on June 1, 2021 and ending on May 31, 2024 with automatic annual renewal thereafter unless it is terminated by written notice from either party at least three months before the expiration date. The agreement will be terminated as of right by Laboratoires Bailleul or us and without prior notice or compensation in the event of receivership, compulsory liquidation or legal settlement with any third party, in compliance with current legal and regulatory conditions and with the observance of any conditions of a public nature which might apply. The CUP-MNDE Agreement can be terminated by Laboratoires Bailleul on the following conditions: (i) if we fail to meet the development plan objectives, which include minimum sales obligation, volume of purchases and marketing policy, and other obligations in all material aspects under the CUP-MNDE Agreement; (ii) if we fail to refrain from developing, registering, manufacturing, distributing, promoting or marketing, directly or indirectly, any products benefitting from the technical information of Laboratoires Bailleul and refrain from manufacturing, selling, or promoting competing or similar products for CUP-MNDE; (iii) if Ms. Zhang Lele ceases to be our CEO; (iv) if we transfer all or the majority of the rights and obligations under this agreement without the express prior written agreement from Laboratoires Bailleul, or if we transfer our area of activity when fulfilling our contractual obligations without the express prior written agreement from Laboratoires Bailleul; or (v) if a change of more than 30% in the share-ownership or control in either of the parties occurs without the express prior written agreement of the other party. We have not received any notice from Laboratoires Bailleul regarding any breach of the contractual obligation during the Track Record Period and up to the Latest Practicable Date. Laboratoires Bailleul and we may revisit the terms of the agreement at the time of renewal of the CUP-MNDE Agreement.

### **CUP-SFJH Agreement**

On September 1, 2021, we entered into an agreement (the “**CUP-SFJH Agreement**”) with Van Montfort Laboratories B.V. (“**VML**”), an Independent Third Party and a company specialized in the research, production and marketing of cosmetic products with principal place of business in Maastricht, the Netherlands. Pursuant to the CUP-SFJH Agreement, VML grants to us the individual, direct and exclusive distribution rights within Mainland China excluding Hong Kong, Macao and Taiwan for CUP-SFJH. VML also authorizes us to use the logos and commercial brands of CUP-SFJH in Mainland China during the term and in pursuit of the CUP-SFJH Agreement. VML is the market authorization holder of CUP-SFJH in Mainland China.

We should carry out the promotion and sales of CUP-SFJH. Once per year, we and VML will determine the commercialization and marketing policy and plan, including sales objectives, promotions and advertisements. We are also responsible for the regulatory non-compliance or complaints in China during the commercialization of CUP-SFJH.

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In compensation for this exclusivity, we will purchase CUP-SFJH exclusively from VML and promise to develop the distribution and marketing of CUP-SFJH throughout Mainland China according to the marketing plans and investments to be proposed by us and validated yearly by VML. VML guarantees that the products are free from serious defects at the moment of delivery. Any product not meeting the conditions will be recalled from us at the expense of VML. During the first three years of the CUP-SFJH Agreement, we commit to a minimum annual volume of purchases of 20, 60 and 100 thousand units in the first, second and third year, respectively. We had met the minimum annual purchase targets for CUP-SFJH during the Track Record Period and up to the Latest Practicable Date.

The CUP-SFJH Agreement has an initial term beginning on September 1, 2021 and ending on December 31, 2024 with automatic annual renewal thereafter unless it is terminated by written notice by either party at least three months before the expiration date of the period underway. If we fail to meet the minimum annual purchase volume during the period of a year, VML at its sole discretion will have the right to terminate the CUP-SFJH Agreement unilaterally and attribute liability for the termination to us. In addition, VML has the right to terminate the CUP-SFJH Agreement or decide at its sole discretion to cancel, instead of terminating, the territorial exclusivity of this agreement, at the end of a period of 90 days from the date that the written notice was sent by registered letter with return receipt requested specifying the pertinent performance failures and/or breaches of contractual obligations. The CUP-SFJH Agreement will also be terminated without prior notice or compensation in the event of receivership, compulsory liquidation or legal settlement with any third party with current legal and regulatory conditions and with the observance of any conditions of a public nature which might apply. VML and we may revisit the terms of the agreement at the time of renewal of the CUP-SFJH Agreement.

### **OUR PLATFORM**

We have established a platform including strong R&D capabilities, as well as manufacturing, regulatory affairs and commercialization capabilities targeted at dermatology industry. Our platform spans from the early phase of identifying demand, developing core technologies, managing clinical trials and product registrations, to the manufacturing and marketing of products. We believe that our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through rapidly changing market needs, enabling us to improve pipeline viability and expedite product development cycle at lower costs. We believe that our proprietary CATAME<sup>®</sup> technology platform will continue to drive our technology innovation and product development.

### **Research and Development**

We have developed our clinical and pre-clinical pipeline through a combination of self-development and licensing arrangements. As of the Latest Practicable Date, our R&D team consisted of 41 employees. Our R&D members have an average of seven years' experience in R&D. Among our R&D team members, 18 members have obtained master degrees or doctorate



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degrees. Of those 18 members, six members of our R&D team are responsible for the development of the Core Product since the acquisition of the Core Product. Our R&D team is led by Dr. Lei Lei (雷磊博士), who is a senior specialist in pharmaceutical development. Dr. Lei has rich experience in the development of medical products at multinational pharmaceutical companies. He was the former principal scientist at Shanghai Johnson & Johnson Pharmaceuticals Ltd (上海強生製藥有限公司). Dr. Lei authored more than 20 international academic papers and is leading a Shanghai New Drug Support Fund Project. Our experienced in-house R&D team comes from a variety of medical backgrounds and has diverse and in-depth knowledge that is critical to strengthening our R&D capabilities in dermatology, topical and transdermal drug formulation and delivery, and synthesis of novel molecules and assemblies. Our medical team covers clinical operations, clinical quality control, pharmacovigilance, and designing, planning and management of multiple clinical trials across China. Our integrated team spans market intelligence, quality control, business development and regulatory affairs. We benefit from their deep insights into the sciences and the market in developing products that strive to meet our customers' unmet needs. In 2021 and 2022, we recorded R&D costs of RMB110.6 million and RMB180.8 million, respectively.

The following table summarizes information regarding the contributions of members of the Directors and the senior management, drug discovery team, CMC team and medical team individually and collectively which justify and demonstrate our R&D and commercialization capabilities to enable us to partner with third parties and to be assigned with rights and licensing arrangements of our product portfolio:

### Responsible Members to the Acquisition/License, R&D and Commercialization

Products	Status	Contribution
CU-20401	Acquisition	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the acquisition from Rejuven Dermaceutical Co., Ltd.
	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for CMC, toxicology and PK/pharmacodynamics studies.
	Clinical	The regulatory affairs team is primarily responsible for regulatory communications, and Mr. Zhu Qi (朱琦先生) is primarily responsible for working with the medical team and external parties (CROs) to conduct clinical trials.

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<b>Products</b>	<b>Status</b>	<b>Contribution</b>
CU-40102	License	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the license from Polichem S.A.
	Pre-clinical	Dr. Lei Lei (雷磊博士) and the R&D team are responsible for CMC, toxicology and PK/pharmacodynamics studies.
	Clinical	The regulatory affairs team is primarily responsible for regulatory communications, and Mr. Zhu Qi (朱琦先生) is primarily responsible for working with the medical team and external parties (CROs) to conduct clinical trials.
	Commercialization	Ms. Zhang Lele (張樂樂女士) works with sales team to manage the sales network and formulate commercialization strategies.
CU-40101	License	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the license from TechnoDerma Medicines Inc.
	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for CMC, toxicology and PK/pharmacodynamics studies.
	Clinical	The regulatory affairs team is primarily responsible for regulatory communications, and Mr. Zhu Qi (朱琦先生) is primarily responsible for working with the medical team and external parties (CROs) to conduct clinical trials.
CU-40103	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for CMC, toxicology and PK/pharmacodynamics studies.
CU-40104	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for CMC, toxicology and PK/pharmacodynamics studies.

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<b>Products</b>	<b>Status</b>	<b>Contribution</b>
CUP-MNDE	Commercialization	Ms. Zhang Lele (張樂樂女士) works with sales team to manage the sales network and formulate commercialization strategies.
CUP-SFJH	Commercialization	Ms. Zhang Lele (張樂樂女士) works with sales team to manage the sales network and formulate commercialization strategies.
CU-10201	License	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the license from Foamix Pharmaceuticals Ltd.
	Pre-clinical	Dr. Lei Lei (雷磊博士) and the R&D team are responsible for project management, CMC, toxicology and DMPK studies.
	Clinical	The regulatory affairs team is primarily responsible for regulatory communications, and Mr. Zhu Qi (朱琦先生) is primarily responsible for working with the medical team and external parties (CROs) to conduct clinical trials.
	Commercialization	Ms. Zhang Lele (張樂樂女士) works with sales team to manage the sales network and formulate commercialization strategies.
CU-10101	License	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the license from Wuhan Yingnashi Pharmaceutical Co., Ltd.
	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for project management, CMC, toxicology and DMPK studies.
CU-10401	Acquisition	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the acquisition from Wuhan Yingnashi Pharmaceutical Co., Ltd.
	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for project management, CMC, toxicology and DMPK studies.

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<b>Products</b>	<b>Status</b>	<b>Contribution</b>
CU-30101	Acquisition	Ms. Zhang Lele (張樂樂女士) works with Business Development team to manage the acquisition from Sparkmed Research, LLC.
	Pre-clinical	Dr. Lei Lei (雷磊博士) from R&D team leads pharmacology studies. The R&D team is responsible for project management, CMC, toxicology and DMPK studies.
	Clinical	The regulatory affairs team is primarily responsible for regulatory communications, and Mr. Zhu Qi (朱琦先生) is primarily responsible for working with the medical team and external parties (CROs) to conduct clinical trials.

### ***CATAME<sup>®</sup> Technology Platform***

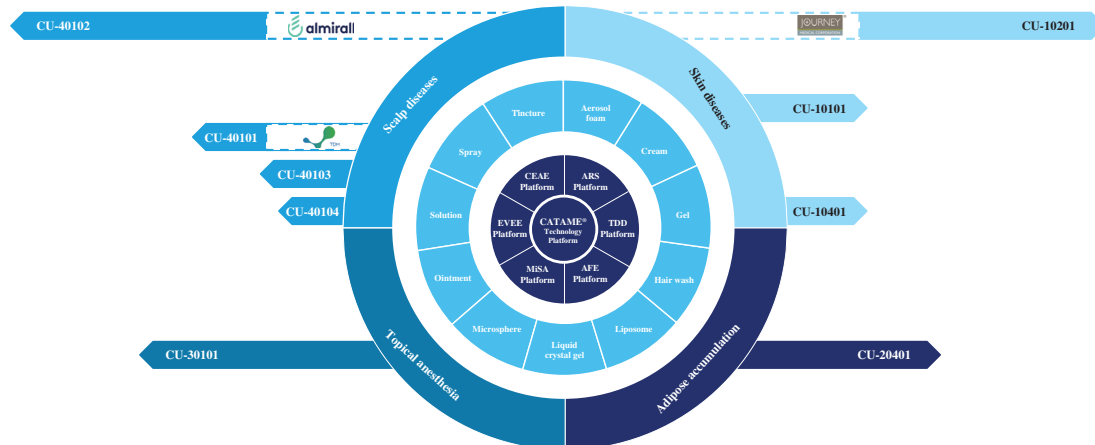
The CATAME<sup>®</sup> technology platform is our in-house R&D platform comprising of six individual modules that enable capabilities that are critical for the drug development for different types of dermatological diseases: Colloidal-Emulsification-Active Encapsulation (CEAE) platform, Aerosol (ARS) platform, Transdermal Delivery (TDD) platform, Actives & Formulation Evaluation (AFE) platform, Micro/Nano-Particulates & Self-Assembly (MiSA) platform and Ex vivo & Efficacy Evaluation (EVEE) platform. Our CATAME<sup>®</sup> technology platform integrates capabilities to customize transdermal delivery characteristics of drugs, develop micron and nano-sized particulates, evaluate formulation quality and stability and perform cutaneous pharmacokinetic analysis during the development process. The CATAME<sup>®</sup> technology platform enables the development of a wide range of product dosage forms and the relevant formulation technology as shown in the chart below. Through the platform, we have built a competitive product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

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The following chart summarizes the CATAME<sup>®</sup> technology platform:



- *Colloidal-Emulsification-Active Encapsulation (CEAE) Platform.* We formulate active ingredients into suitable topical formulations on our CEAE platform.
- *Aerosol (ARS) Platform.* We develop aerosol foams for broader dermatology treatment through our ARS platform.
- *Transdermal Delivery (TDD) Platform.* We research and analyze the transdermal delivery characteristics of our active pharmaceutical ingredients in the formulation through our TDD platform.
- *Actives & Formulation Evaluation (AFE) Platform.* We evaluate the quality, stability as well as physicochemical properties of our formulations through our AFE platform. Equipped with a series of equipments, we are able to conduct analysis and testing for various products on multiple physicochemical indicators.
- *Micro/Nano-Particulates & Self-Assembly (MiSA) Platform.* We develop our micron and nano-sized particulars through our MiSA platform.
- *Ex vivo & Efficacy Evaluation (EVEE) Platform.* We evaluate coverage of our product on *ex vivo* or *in vivo* tissues on our EVEE platform. In addition, through the platform, we can also evaluate the physiological changes, such as elasticity, thickness and density, of the skin tissues after product administration.

Once the patient or customer needs are identified, we will propose a technical solution based on the capabilities of our CATAME<sup>®</sup> platform, including but not limited to product formulation and/or product evaluation methods. We will then develop or evaluate the product candidate using the equipment, instruments and technologies available from our CATAME<sup>®</sup> platform. We believe the advantages of our CATAME<sup>®</sup> platform include that (i) the platform has a set of devices, instruments and technologies in each component including CEAE, ARS, TDD, AFE, MiSA and EVEE to fulfill the entire function of the CATAME<sup>®</sup> platform, which

provide technological support in the development of dermatology products. We have developed a range of topical dosage forms, from creams, ointments, tinctures to aerosols, all of which are useful in the management of different skin diseases. This allows us to develop more dermatology products than our peers to address a broad range of dermatology issues, as few companies have the capabilities to cover such a full range of topical dosage forms; (ii) with its formulation technologies, the platform allows us to differentiate our products with scientifically improved formulations; and (iii) the platform helps develop micron and nano-sized particulates, design the most suitable product formats that are key to specific and successful drug delivery, and evaluate formulation quality and stability, and cutaneous pharmacokinetic analysis. Based on the CATAME<sup>®</sup> technology platform, we have also successfully provided customers a product pipeline consisting of multiple candidates in various dosage forms.

We use our CATAME<sup>®</sup> platform to conduct R&D for our products, such as CU-20401, CU-40102, CU-40101, CU-40103, CU-40104, CU-10201, CU-10101, CU-10401 and CU-30101. Our CATAME<sup>®</sup> platform has competitive advantage compared with other similar platforms because all the six components of CATAME<sup>®</sup> are dedicated to topical skin formulations with specific functions for each platform. The “CEAE” platform is used for development of skin emulsifiers, the “MiSA” platform is for development of micro-nanoparticles, and the “TDD” and the “EVEE” platforms are for evaluation of transdermal behavior and skin efficacy. Thus, equipped with the CATAME<sup>®</sup> platform, we operate the six components sequentially or simultaneously to develop our products of a wider range of product dosage forms with a wider range of features to meet the needs of different skin diseases, compared with other competitive platforms that does not have comparable full range of CATAME<sup>®</sup> platform features. For example, we first use CEAE, ARS and MiSA platforms to prepare suitable formulations, then use TDD platform to analyze transdermal delivery, and use AFE and EVEE platforms to evaluate properties of the formulations.

In particular, although CU-10101 was originally in-licensed, the major development of the drug formulation was carried out internally by us using the CATAME<sup>®</sup> platform. During the development of CU-10101, we proposed a technical solution of using a topical ointment as a dosage form and incorporating up to 3% weight by weight of the active compound. The CEAE platform allowed us to screen for the most suitable excipients that could bind and solubilize large amounts of CU-10101 and remain compatible with each other. The CU-10101 formulation can carry up to 3% of the compound and successfully maintain drug delivery for nearly 24 hours, a time period that is scientifically desirable for a once-daily application of an atopic dermatitis product. By using the AFE platform, we can effectively evaluate our formulations on multiple physiochemical indicators including stability and quality, which enabled us to identify a preferred antioxidant to add to the formulation to protect the active substance from light. Therefore, by using the CATAME<sup>®</sup> platform, we optimized the formulation for successful drug delivery and developed an ointment formulation suitable for CU-10101, providing greater value to CU-10101. Moreover, we have filed two PCT patent applications in connection with CU-10101 arising from CATAME<sup>®</sup> technology platform, namely Hydroxydiphenylethylene

Class Compound Ointment and the Use and Preparation Method Thereof and Hydroxystilbene Class Compound Ointment and the Use and Preparation Method Thereof. For more details, please see “– Intellectual Property” in this section.

Even though our Core Product CU-20401 is a subcutaneous injection, our CATAME<sup>®</sup> platform also contributes to its development. For example, the AFE platform is used to evaluate the quality, stability and physicochemical properties of the formulations. By using high phase liquid chromatograph of the AFE platform, we analyzed and improved the CU-20401 formulations.

### ***Drug Discovery and Pre-clinical Development***

During the drug discovery stage, our R&D team focuses on exploring the activities of new chemical entities with disease targets, based on a thorough biological understanding of the disease. Our team also coordinates and accomplishes pre-clinical R&D activities on the product candidates’ pharmacology, pharmacokinetics and toxicology during the drug evaluation stage. Our drug discovery capabilities comprise (i) screening and validation of compound with specific biological targets; (ii) analytical technology formulation and toxicology; and (iii) supporting systems including intellectual properties and quality assurance.

Our R&D team includes a drug discovery team and a CMC team. Our drug discovery team collaborates with our CMC team at an early stage to complement each team’s needs and to ensure continued knowledge sharing, regulatory compliance and a streamlined transition from discovery to development.

Below are some of the highlights of our drug discovery and pre-clinical development capacities:

- Leveraging our CATAME<sup>®</sup> technology platform and our cooperation with CROs, we conduct extensive screenings to identify novel products.
- We conduct extensive *in vitro* screening of our molecules and to evaluate the activities of our drug candidates against disease targets and/or against efficacy-indicating cell models.
- After a product candidate shows the desired activities and meets all the other criteria for a pre-clinical candidate, we will move the candidate into CMC and pre-IND studies. Our drug candidates will be manufactured by our CMC team in collaboration with our CDMO partners. PK and long-term toxicity studies will be conducted in animals before filing for IND.

### *Clinical Development*

Our medical team is generally responsible for the clinical R&D works of our Core Product and other pipeline products. For our internally discovered and developed product candidates, we conducted clinical activities including: (i) coordinating all clinical development activities; (ii) designing the key aspects of the clinical study; (iii) designing and coordinating the selection process for qualified CROs to assist in engaging clinical sites and coordinating clinical studies once commenced; (iv) supervising the clinical studies; and (v) overseeing extensive regulatory outreach in China. For our acquired or in-licensed products, we are responsible for developing the candidates in our granted territories. We commenced research and development activities after acquiring or in-licensing product candidates from our partners. We have devoted a considerable amount of time and resources to the R&D of acquired or in-licensed product candidates, and such efforts include but are not limited to: (i) the design of the clinical trials to be implemented in our granted territories and proactive communication with relevant regulatory authorities to obtain the approvals; (ii) the preparation of clinical trials, including the selection of clinical CROs and clinical sites; and (iii) the manufacturing of clinical samples through our cooperation with CDMOs. Our drug discovery and pre-clinical R&D, clinical development, CMC and regulatory affairs teams have been working on the development of our products or product candidates during the post-acquisition or post-licensing period.

### *Medical Team*

Our medical team is led by our chief medical officer Mr. Zhu Qi. As of the Latest Practicable Date, our medical team consisted of 29 employees. Our medical team members have average of 11 years' clinical trial-related experience. Among our medical team members, approximately 52.2% have obtained post-graduate degrees from national and international reputed universities. Our medical team has experience in management of all stages of our clinical trials, including clinical trial design, implementation, drug supply, and the collection and analysis of trial data. Our medical team covers most of the key functions in the drug development process, from clinical development strategy, clinical development planning, setting up quality assurance and control system, to clinical trial design, clinical trial management, safety monitoring, data management, data analysis and programming, clinical supply, procurement.

### *Clinical Trial Design and Implementation*

We have a dedicated medical team responsible for management of the clinical trials of our pipeline products. Our clinical trial personnel are responsible for the formulation of clinical trial design with CROs, selection of qualified clinical trial sites and monitoring of clinical trials to ensure that clinical trials comply with our protocols and the GCP standard.



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During the Track Record Period, we cooperated with a number of PIs to conduct the clinical trials of our product candidates. To the best of our knowledge, none of them have any past or present relationships with our Group, our Directors, shareholders, senior management or any of their respective associates. The PIs are responsible for conducting site-level clinical research activities according to our trial protocols and in accordance with laws, regulations, and the GCP Guideline, a quality standard for the overall conduct of the clinical trial. Each trial has a leading PI with primary responsibility to ensure compliance with trial protocol and good clinical practice over the entire trial. Through the trial process and with the assistance of CROs, we closely monitor the trial activities, perform site audits, conduct an ongoing risk assessment and safety evaluation, review protocol deviated cases, and review clinical data to protect the safety of subjects and ensure the integrity of trial results. We collect and analyze trial data to prepare documentation for regulatory approvals of our product candidates.

### *Collaboration with CROs*

We collaborate with CROs (including SMOs) to conduct and support our pre-clinical and clinical studies in line with industry practice. We select our CROs by weighing various factors, such as their qualifications, academic and professional experience, industry reputation and service fees. To the best of our Company's knowledge, none of them have any past or present relationships with our Group, our Directors, shareholders, senior management or any of their respective associates.

In terms of the involvement and contributions of each of the major CROs to the development of our product candidates, the pre-clinical CROs mainly provide us with services related to pre-clinical toxicity and safety evaluations, such as animal studies, of our product candidates in accordance with our study design and under our supervision. The clinical CROs provide us with an array of services necessary for complex clinical trials in accordance with our trial design and under our supervision. CROs generally provide a comprehensive suite of services to assist us in implementing and managing clinical trials, including trial preparation, source data verification, clinical safety management, data management, and report preparation. We choose to engage a CRO based on the complexity and workload of a specific trial. We closely monitor the work of our CROs and provide specific directions to ensure the quality and efficiency of the trial execution. This approach allows us to leverage the experience of our in-house team to better focus on critical clinical trial elements, such as trial design, data analysis and decision making. All studies of our product candidates on humans are conducted in compliance with the applicable laws, regulations and in line with the industry standards. We believe our ability to conduct and work closely with CROs to conduct pre-clinical studies and clinical trials helps us to shorten the time required for product development as well as generate the requisite data in an reliable and efficient way.

We mainly determine the service fees paid to the CRO in accordance with then prevailing market prices of similar services, the number of enrolled patients, the duration of the clinical trials, and the quality and contents of the services provided.

**Manufacturing*****Manufacturing Facilities***

The construction of a commercial-scale GMP manufacturing facilities with three drug product production lines in Jiangsu province was completed in February 2023. The manufacturing facilities are equipped with three production lines covering cream, ointment, aerosol, and foam products with an annual production capacity of approximately a total of five million doses of CU-10101, CU-40103, CU-40104, CU-10401 and CU-30101. The factory has commenced operation and we believe the production capacity of this factory can support our clinical trials and near-term commercialization plans for our drug candidates. The flow and control of the entire manufacturing process are designed to be compliant with the latest cGMP requirements so that our production can meet the clinical and marketing approval requirements of various drug regulatory authorities, including the NMPA, FDA and European Medicines Agency.

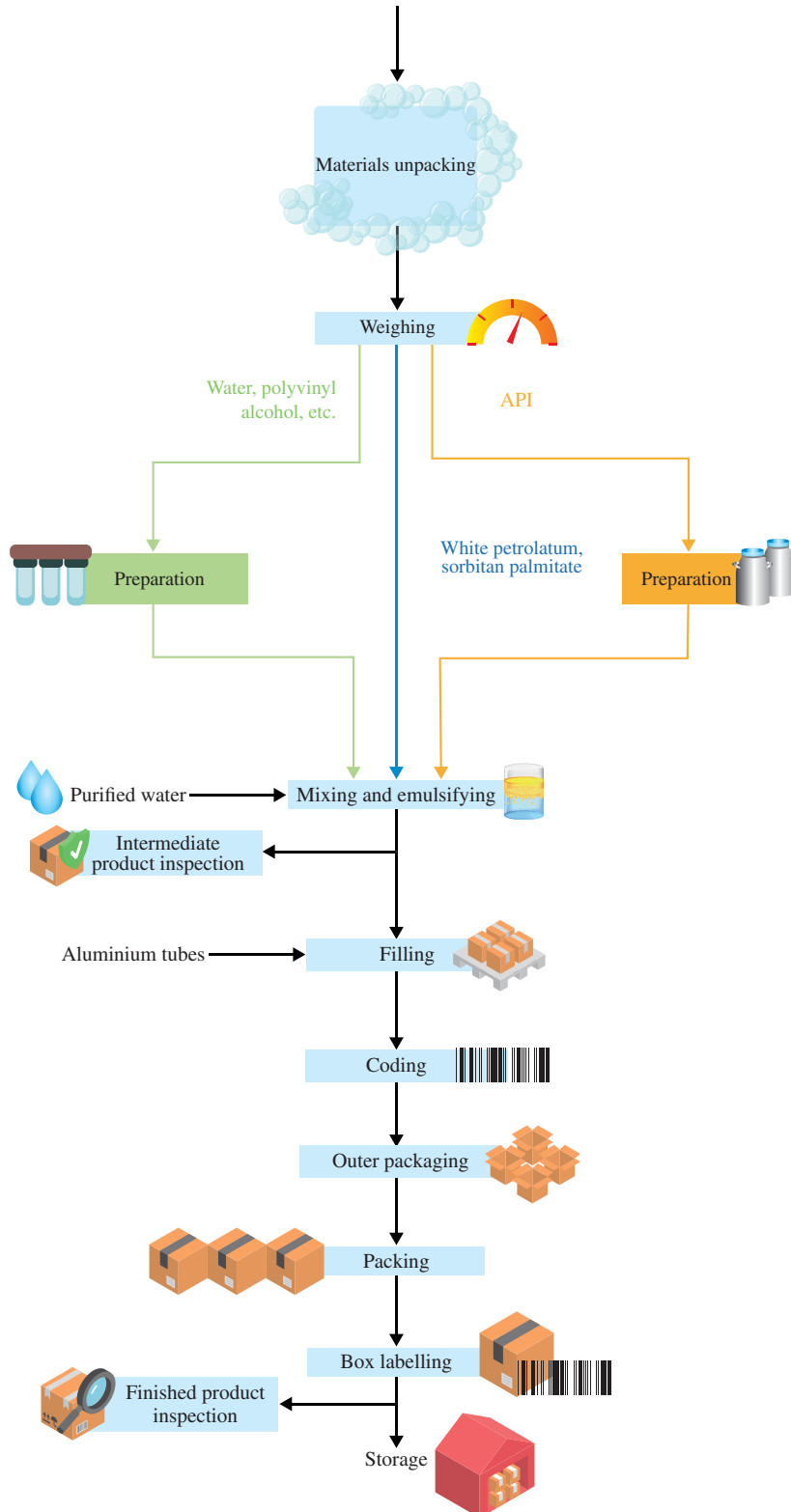
As of the Latest Practicable Date, our manufacturing and quality control team consisted of 45 members, approximately 17.8% have obtained post-graduate degrees. Our manufacturing and quality control team has experience in process development, production and quality management and offers preclinical and clinical support throughout the drug development process. Our manufacturing and quality control team plays a critical role in drug development. It is responsible for developing safe, robust, and economically sound production processes for our drug substances and drug products, and ensuring their qualities meet regulatory requirements. We believe that we possess the manufacturing capabilities and expertise in operating our own production facilities.

As our Wuxi plant is equipped to cover the production of creams and aerosols, our in-house production in these dosage forms will offer more overall advantages than engaging CDMO, such as lower manufacturing operating costs, agile and rapid response to facilitate product development and production progress, and reduced R&D expenses. For other product dosage forms that cannot be produced at this stage in our Wuxi plant, we engage CDMO for shared production facilities, reduced investment in fixed assets, and reduced R&D and conversion time.

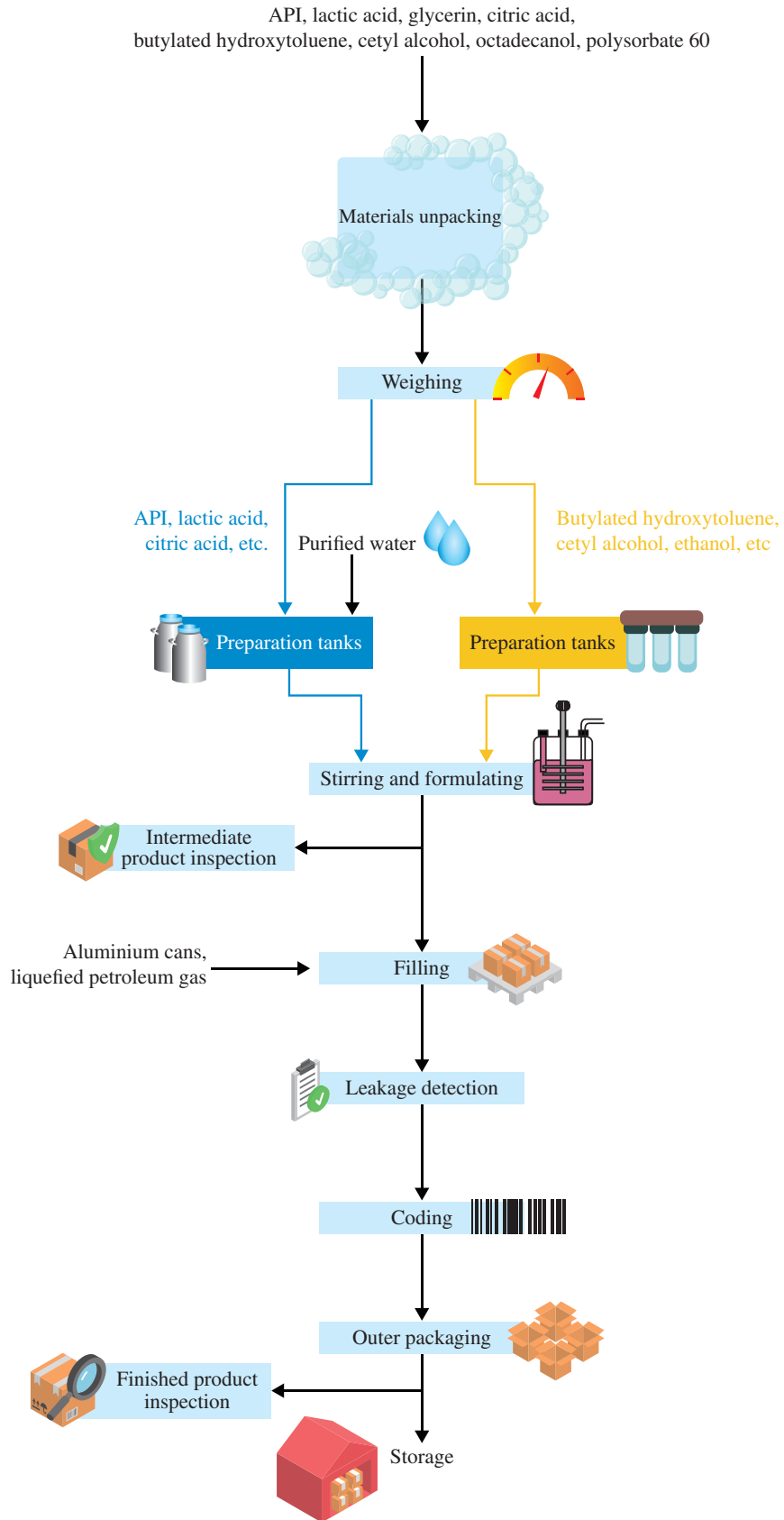
The flowchart below illustrates the designed manufacturing process of our products:

**The Manufacturing Process of the Ointment Form**

Water, white petrolatum, API, anhydrous calcium hydrogen phosphate, sorbitan palmitate, polyvinyl alcohol, methyl hydroxybenzoate, propyl hydroxybenzoate



The Manufacturing Process of the Aerosol Foam



***Collaboration with CDMO partners***

In terms of the involvement and contributions of each of the major CDMO partners (including CMOs) to the development of our product candidates, we collaborate with our CDMO partners to manufacture a portion of our product candidates to supply for pre-clinical studies and clinical trials. We did not experience any product quality issues in respect of the products manufactured by our CDMO partners during the Track Record Period.

Under our agreement with our CDMO partners, the CDMO partners are required to perform its services according to the prescribed time frame as set out in the agreement. Usually, we pay the CDMO partners in installments, with a specified credit period. Our CDMO partners are responsible for manufacturing our required products in accordance with certain product specifications, in compliance with cGMP requirements (where applicable), our quality standards and other applicable laws and regulations. We retain all the intellectual property rights and grant our CDMO partners the right to use our intellectual property rights for such manufacturing and packaging activities during the contract period. We are entitled to inspect and audit our CDMO partner's manufacturing process.

We mainly determine the service fees paid to the CDMO in accordance with then prevailing market prices of similar services, the duration of the clinical trials, the number of products manufactured, and the quality and contents of the services provided.

We maintained cooperation relationship with 27 and 39 CRO and CDMO partners in 2021 and 2022, respectively. For 2021 and 2022, the expenses attributable to CRO and CDMO partners were RMB43.3 million and RMB51.3 million, with RMB8.3 million and RMB12.1 million of such expenses attributable to research and development of our Core Product CU-20401, RMB18.1 million and RMB18.6 million of such expenses attributable to research and development of our Key Product CU-10201, RMB6.2 million and RMB16.7 million of such expenses attributable to research and development of our Key Product CU-40102. The following table sets forth background and expenses (exclusive of tax) of the CRO and CDMO partners engaged by us during the Track Record Period:

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<b>Costs attributable to each major CRO/CDMO partners</b>	<b>Background and Contribution</b>	<b>Year ended December 31, 2021</b>	
		<b>Expenses</b>	<b>Percentage of total third party contracting expenses</b>
		<i>(RMB'000, except percentages)</i>	
Parexel China Co. Ltd.	CRO based in China, providing clinical trial services, assisted us in implementing and managing clinical trials	13,870	32.0%
Bestudy (Shanghai) Medical Technology Co., Ltd.	CRO based in China, providing clinical trial services, assisted us in implementing and managing clinical trials	7,343	16.9%
Hangzhou Tigermed Consulting Co., Ltd.	CRO based in China, providing pre-clinical services related to pre-clinical toxicity and safety evaluations, and clinical trial services, assisted us in implementing and managing clinical trials	5,880	13.6%
Clinical Service Center Co., Ltd.	CRO based in China, providing clinical trial services, assisted us in implementing and managing clinical trials	3,116	7.2%
Wuhan Guanggu Humanwell Biological Pharmaceutical Co. Ltd.	CDMO based in China, providing development and manufacturing service of drugs	2,638	6.1%
<b>Total</b>		<b>32,847</b>	<b>75.8%</b>

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<b>Costs attributable to each major CRO/CDMO partners</b>	<b>Background and Contribution</b>	<b>Year Ended December 31, 2022</b>	
		<b>Expenses</b>	<b>Percentage of total third party contracting expenses</b>
		<i>(RMB'000, except percentages)</i>	
Hangzhou Tigermed Consulting Co., Ltd.	CRO based in China, providing pre-clinical services related to pre-clinical toxicity and safety evaluations, and clinical trial services, assisted us in implementing and managing clinical trials	14,232	27.7%
Parexel China Co. Ltd.	CRO based in China, providing clinical trial services, assisted us in implementing and managing clinical trials	14,022	27.3%
Clinical Service Center Co., Ltd.	CRO based in China, providing clinical trial services, assisted us in implementing and managing clinical trials	8,066	15.7%
Jiangsu Yaohai Bio-pharmaceutical Co., Ltd.	CDMO based in China, providing development and manufacturing service of drugs	2,294	4.5%
dMed Biopharmaceutical Co., Ltd.	CRO based in China, providing clinical trial services, assisted us in implementing and managing clinical trials	1,978	3.9%
<b>Total</b>		<b>40,592</b>	<b>79.1%</b>

### **Quality Assurance and Control**

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with cGMP regulations and ICH Q10 guidance covering substantially every aspect of our operations including product R&D, procurement and manufacturing, among other things.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. For example, we select our suppliers based on a strict set of criteria and regularly conduct supplier audits which include documentation inspection and/or on-site inspection on such qualified suppliers to make sure our requirements are being consistently met. We conduct inspection on raw materials in accordance with our quality management standards.

### **Regulatory Affairs**

As of the Latest Practicable Date, the regulatory affairs team consisted of seven professionals with an average of 12 years' experience in regulatory affairs. Our regulatory affairs team has experience in drug candidate registration as well as communication with regulatory authorities. 25% of team members have obtained post-graduate degrees. Our regulatory affairs team manages the regulatory submission process for our product candidates, which requires filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. Our regulatory affairs team is responsible for the regulatory approval process including assembling application dossiers for IND and NDA, addressing inquiries from relevant authorities, conducting CMC and GMP compliance assessments for product candidates to ensure their compliance with relevant regulations. We possess rich knowledge and experience with regard to regulatory filings in China.

## **OUR SALES, DISTRIBUTION AND MARKETING**

### **Commercialization Strategy**

We plan to employ a strategic academic-promotion model to promote and sell CU-20401. Under this model, we expect to promote CU-20401 to hospitals and physicians in Greater China through academic marketing, establishing centers of excellence and referral network, and providing trainings to physicians.

After CU-20401 is approved by the NMPA, we plan to use and manage CU-20401 as a prescribed drug for adipose accumulation disease within specific use in the label approved by the NMPA. We currently plan to commercialize CU-20401 only in hospitals, focusing on the ones that are reputable and have served as clinical trial sites. We expect to only promote to hospitals and train registered physicians and distribute CU-20401 as a drug which is administered by registered physicians.



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As the CU-20401 therapy is expected to be a new treatment process that is unlike any other treatment currently approved in China, we expect that significant efforts will be necessary to educate physicians and patients on the potential benefits of the CU-20401 therapy and prevent off-label use, and to demonstrate the proper process in administering and monitoring the treatment (including timely and proportionate measures to mitigate adverse effects).

We plan to build a focused in-house sales and marketing team to market CU-20401 across China. Our initial target is to establish a sales team of approximately 30 people to cover approximately 20 of the top hospitals in China with leading dermatology centers that are equipped with qualified and licensed physicians to administer our CU-20401 therapy. In particular, we plan to set up sales and operations teams at the target hospitals to facilitate the use of our products. These teams will strive to ensure our CU-20401 therapy is administered in accordance with the applicable standards and provide support to the licensed medical practitioners on site. For hospitals that have acted as clinical trial centers for CU-20401 while it was under clinical stages, we believe the physicians involved may already have a chance to familiarize themselves with CU-20401. As our business grows over the next three years, we anticipate to expand our sales force to approximately 200 people in order to support the administration of our CU-20401 therapy at the top 100 hospitals in China.

As physicians are expected to play a key role in this process, not only in administering CU-20401 but also in educating patients about its potential benefits, we intend to design our marketing and academic education strategy around close and continued engagement with physicians. We believe that we have already established a rapport with some physicians across China through the clinical trials that we have conducted, in terms of both gaining recognition of the efficacy and potential benefits of CU-20401 and enhancing physicians' familiarity with the product candidate. In addition, we plan to be pro-actively involved in the policy making framework relating to the CU-20401 therapy by actively participating in consultation sessions with the relevant authorities, particularly on improving medical procedures and standards.

We plan to enhance our existing collaboration with these physicians through the establishment of a specialized team for medical affairs, which will oversee the training and support that we provide to physicians. In addition, we plan to develop a specialized, standardized training plan that will allow us to onboard and train physicians and treatment centers that have not been involved in our clinical trials, with the ultimate goal of gaining widespread acceptance of CU-20401 across the medical community and the general public.

The NMPA and other regulatory authorities strictly regulate the marketing, labelling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. In addition to the national regulation, we aim to adopt the following measures to prevent off-label use of CU-20401: (i) educating the physicians that CU-20401 is indicated for obesity or adipose

accumulation, and accordingly shall only be prescribed for such indications. Physicians should prescribe medications only for NMPA-approved indications; (ii) providing one-month trainings to educate the physicians before administration of CU-20401, and provide a list of contents that they should avoid using in prescription activities to ensure compliance with relevant legal requirement; (iii) maintaining close communication with KOLs and clinical experts with the aim to ensure the proper administration and prescription of CU-20401, and implementing a reporting mechanism and form a dedicated market inspection team to coordinate with medical institutions to ensure prescription compliance with relevant legal requirements. We may suspend product supply or terminate the relevant distribution arrangements pursuant to the relevant contracts, if the medical institution fails to comply with the legal prescription requirements and rectify within the prescribed time.

For other products, we operate an integrated commercialization model and we implement our marketing strategy primarily through online and offline channels. Other than CU-20401, we plan to sell substantially all of our products, including but not limited to CU-40102 and CU-10201 upon their respective approvals for commercialization, through online and offline channels in China. As of the Latest Practicable Date, we had not formulated the specific plan for our products in overseas market.

### *Online Channel*

Online marketing has always been one of our strategic priorities. We have a dedicated marketing team with strong market insights focusing on the development of marketing campaigns on various e-commerce platforms and social media platforms such as Tmall, Douyin, Zhihu and Xiaohongshu. Our comprehensive online marketing campaign strategy typically consists of several key steps, including raising brand awareness through increasing exposure on top media, product recommendation, distribution of news feed ads on emerging media platforms, introducing traffic to e-commerce platforms displaying and selling our products, live streaming promotion and experience sharing. We intend to make investments in online content platforms to formulate targeted marketing strategies for our products and conduct online and offline promotion events and activities.

We collaborated with MCNs that represent or collaborate with the KOLs with whom we work to further promote our products online through live streaming sessions and social media platforms. The duration of the agreement with the MCNs typically less than 12 months. We are entitled to confirm the date and time of each live streaming session before each live streaming session. The agreement usually specifies the products to be promoted through the live streaming session, the KOL who will conduct the live streaming session, the retail price and the extent of discounts offered during each live streaming session and the commission rate and the amount of fixed service fees of the MCNs. We regularly monitor the publicity of KOLs engaged by us and may negotiate with the relevant MCNs to replace any KOL who is found with deterioration of image or misconduct, including, but not limited to, inappropriate speech, unethical behavior or offense against the relevant laws and regulations. To our best knowledge and available public information, none of the KOLs we collaborated with had been under regulatory scrutiny and were suspended from KOL activities.

### ***Offline Channel***

Our offline channel is an important bridge for us to directly reach consumers nationwide. Our offline marketing targets medical institutions to reach distinct end customers. In particular our offline marketing efforts will be characterized by a strong emphasis on academic promotion, in order to promote and strengthen the awareness and recognition of our products and our brand among medical institutions. We plan to adopt a physician-targeted approach focused on direct and interactive communication with KOLs and PIs, who are renowned physicians and leading experts in our target therapeutic areas, as well as team heads and senior physicians in our target hospitals to promote the differentiating clinical aspects of our products.

### **Our Distribution Network**

We have established a duo-channel distribution network to reach our customers. Our distribution network includes direct sales and sales to distributors. Since we are a biotech company and our Core Product and Key Products are still under clinical development or pilot commercialization, our sales and distribution network is at its early stage of development, and may further evolve as our business expand and product portfolio develop. As our reputation and capacity in developing and manufacturing high quality product candidates for broader dermatology treatment and care continues to grow, we plan to substantially expand our sales network to mass market.

We directly sell our products, including CUP-MNDE, CUP-SFJH as well as certain skin care products, including facial masks, creams, toners, sprays, serums and gels (“Routine Skin Care Products”) to customers through online channels, including the Tmall e-commerce platform. We generally allow our individual consumers to return or exchange our products in a condition suitable for a second sale within seven days from the delivery according to the relevant laws and regulations. During the Track Record Period, our revenue from direct sales was RMB1,657,000, and RMB6,720,000 respectively, accounting for 81.3% and 59.1% of our total revenue for the same periods, respectively.

We have entered into distribution arrangements for CUP-MNDE and CUP-SFJH with the aim to (i) generate revenue to further support our R&D activities and daily operations; (ii) provide synergy with our existing and future products to expand our coverage and presence in the industry and (iii) increase our brand recognition to enhance cross selling among our product candidates. Although CUP-MNDE and CUP-SFJH are late entrants to the market, sales of CUP-MNDE and CUP-SFJH in 2022 amounted to RMB9.2 million in aggregate. Sales of CUP-MNDE amounted to RMB0.4 million in 2021, and we did not record any sales from CUP-SFJH in the same year. Our sales of CUP-MNDE and CUP-SFJH experienced significant growth for the past 12 months. As we anticipate there to be a continued strong market demand, we expect our sales of CUP-MNDE and CUP-SFJH to increase and will pursue our commercialization strategy in meeting such market demand.

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As advised by our PRC Legal Advisor, the laws and regulations governing PRC pharmaceutical operation and internet pharmaceutical transaction services are not applicable to our dealing of CUP-MNDE and CUP-SFJH, as such laws and regulations are applicable to the activities of drugs production and transaction within the jurisdiction of the PRC, whereas we do not sell any drugs through our own websites or provide any third parties with internet drug trading services. Our distribution of products is generally conducted by Cutia HK, which is incorporated in Hong Kong and procures CUP-MNDE and CUP-SFJH for distribution. Cutia HK as the contracting party directly sells CUP-MNDE and CUP-SFJH to customers through the Tmall Global e-commerce platform and sells another portion of CUP-MNDE through a distributor in Hong Kong, which sells our products to a sub-distributor, JD Health. Pursuant to the Customer Notice (消費者告知書/用戶須知) displayed on the websites of such third-party cross-border e-commerce platforms, purchases of products thereon are deemed to be overseas purchases, which is acknowledged by the customers. Our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-MNDE and CUP-SFJH.

If our commercialized products, including CUP-MNDE, CUP-SFJH and Routine Skin Care Products, which we distribute were to cause personal injury or injury to property, the injured party or parties could file a claim against us. We could also be subject to claims that consumers were harmed. We may have the right under contracts or applicable laws, rules and regulations to recover from the relevant brand partners or manufacturers compensation that we are required to make to consumers in connection with a product liability, personal injury or a similar claim. According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), the e-commerce platform would take responsibilities under the following situations: (i) where an e-commerce platform fails to take necessary measures when it knows or should know of the fact that operators on its platform sell commodities or offer services that fail to safeguard personal or property safety, or commit any other acts that impair the lawful rights and interests of consumers, the operator of such e-commerce platform shall be jointly held liable together with the violating operators on its platform; and (ii) where an e-commerce platform fails to fulfill its obligations to examine the qualifications of the operators on its platform which provide commodities or offer services having a bearing on consumers' life and health, or fails to fulfill its obligations to safeguard the safety of consumers, which results in damage to consumers, the operator of such e-commerce platform shall bear the corresponding liability. As advised by our PRC Legal Advisor, as to the cross-border e-commerce online sales, the obligation to ensure compliance with the E-Commerce Law primarily fall upon the e-commerce platforms. We cooperate with e-commerce platforms to comply with the related regulations. As to the sales of Routine Skin Care Products, as advised by our PRC Legal Advisor, we might be held liable under the E-commerce law as an e-commerce operator.

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### *Sales to Distributors*

We sell CUP-MNDE, CU-40102, CU-10201 and Routine Skin Care Products to wholesale distributors. As of the Latest Practicable Date, we had five distributors, all of which are Independent Third Parties. To the best of our knowledge, during the Track Record Period and as of the Latest Practicable Date, none of our distributors is wholly owned or controlled by or has any past or present relationships or arrangements, including family relations, business, financing, guarantee and others, with our Company or our subsidiaries, their directors, shareholders, senior management or any of their respective associates, save for acting as a distributor of our products.

We sell CU-40102 and CU-10201 through a distributor in Hainan, which sells our products to a qualified medical institution in the Boao Pilot Zone for pilot commercialization. In addition to the direct sales of CUP-MNDE through Tmall Global e-commerce platform (Cutia HK as the contracting party), we sell another portion of CUP-MNDE through a distributor in Hong Kong, which sells our products to a sub-distributor, JD Health (京東健康) e-commerce platform. The JD Health (京東健康) e-commerce platform sells our products to individual customers. We sell our Routine Skin Care Products through three distributors in Mainland China, which sell our Routine Skin Care Products to customers through their offline stores or e-commerce platforms.

To the best of our knowledge, during the Track Record Period and as of the Latest Practicable Date, we did not receive any claims in relation to the distribution of our products. For details of our insurance policy, please refer to “– Insurance” in this section.

We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and sales and marketing process. Through our collaboration with established distributors, we believe we can increase market penetration in lower-tiered cities. During the Track Record Period, our revenue from our distribution network was derived from the revenue generated from our top five largest customers. The total revenue generated from our top five largest customers amounted to RMB381,000 and RMB4,646,000 in 2021 and 2022, respectively, accounting for 18.7% and 40.9% of our total revenue for the same periods, respectively.

### *Our Distributorship Network*

We believe that our distributors with strong sale channel management capabilities as well as sales and distribution experience of product candidates for broader dermatology treatment and care can help us penetrate a broader customers and consumers base and increase our market share as well as enhance our brand awareness efficiently. During the Track Record Period and up to the Latest Practicable Date, we had five distributors.

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We typically enter into standard distribution agreements, which are sales and purchase agreements in nature, with our distributors with duration of up to three years. We generally do not have minimum purchase requirements, deposit and sales and performance targets to our distributors. The salient terms include contact term, pricing policy, payment and credit terms, logistics arrangement and warranty policies. We generally do not accept returns of products from sales to distributors, except for particular circumstances as agreed with the distributors, such as where the products have a shorter durability period than agreed and product quality defects. During the Track Record Period and up to the Latest Practicable Date, we did not record any products returned from our distributors.

### *Distributors' Selection and Management*

We select our distributors based on their experience and business performance in the broader dermatology treatment and care industry. During the Track Record Period, we had a total of five distributors and to the best knowledge of the Company, two of whom had engaged sub-distributor(s) for the distribution of our products. We did not impose any sales targets on our distributors during the Track Record Period.

We generally require and monitor our distributors to provide monthly checklists of their inventory status and sales activities. We require our distributors to have adequate storage conditions and facilities, a sufficient number of quality management personnel, and adequate sales channels resources. We adopt and implement distributor management policies which cover aspects including review of credit terms arrangement, regular review of the cooperation with the distributors and record-keeping.

We believe that our sales are driven by the actual consumer demand and therefore we are subject to minimal risk of channel stuffing in our distribution network, primarily because (i) we generally grant a short credit period to distributors; (ii) we only allow returns of products sold to distributors in certain circumstances; and (iii) we do not set minimum purchase requirements for distributors.

### *Prevention of Cannibalization*

In order to manage the risk of cannibalization of sales among our distributors, we have adopted the following measures:

- ***Geographic restrictions.*** For distribution of CUP-MNDE, CU-40102 and CU-10201, we specify the designated distribution area for which our distributors are responsible in our distribution agreements with them. The agreements also prohibit distributors from selling our products outside their respective designated distribution areas without our prior written consent.
- ***Accountability policy.*** For any action in breach of the distribution agreements, we may terminate the relevant distributors according to the terms of our distribution agreements with them.

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- ***End customer monitoring.*** Our distributors focus on different distribution channels. The distributor in Hong Kong sells CUP-MNDE to JD Health (京東健康) e-commerce platform, and another distributor in Hainan sells CU-40102 and CU-10201 to a qualified medical institution in the Boao Pilot Zone for pilot commercialization. Three distributors in Mainland China sell Routine Skin Care Products via their offline stores or e-commerce platforms.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material cannibalization or competition among our distributors within the same geographic area. Our Directors are of the view that the above measures are sufficient to mitigate potential cannibalization and competition among distributors.

### *Anti-corruption and Anti-bribery Measures*

Our distributors are required to comply with PRC laws and regulations, including anti-corruption and anti-bribery laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not provide financing to any of our distributors except for credit terms we granted to them under the relevant distribution agreements. To the best of our knowledge, none of our employees and distributors was or has been the subject of, or otherwise involved in, complaints, investigations, or regulatory enquiries in relation to, any bribery or kickback arrangements during the Track Record Period and up to the Latest Practicable Date.

Due to management of our distributors and their inventory levels, our distributors did not materially breach our contract terms, and we did not have any material disputes with our distributors relating to the settlement of trade receivables during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we were not aware of any potential abuse or improper use of our name by our distributors, which could adversely affect our reputation, business operation or financial contribution.

### *Product Pricing*

We formulate and implement, a reasonable pricing strategy for our marketed products to stay competitive and profitable. We take into account a number of factors in determining our prices, which primarily include our R&D, production and marketing costs and expenses, the perceived value of products, our market share and the competitive landscape. In addition, our pricing strategies are also affected by the regulations and policies on the dermatological or pharmaceutical industry, including medical insurance reimbursement standards and regulation of medical and pricing practices.

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For our Core Product, once the commercialization approval from NMPA has been obtained, we plan to formulate and adjust the pricing and commercialization strategy in order to market the product in Greater China. Our pricing and commercialization strategy will not benchmark the price of Kybella (an approved localized adipose accumulation management medication in U.S. and Europe indicated for improvement in the appearance of moderate to severe convexity or fullness associate with submental fat in adults) or the prices of the two Phase III pipeline candidates in China.

As of the Latest Practicable Date, we did not observe any material negative effect or material fluctuation in our operations or the selling prices of the scalp diseases and care products and skin diseases and care products we offer due to the new pricing mechanism. For more details of risks associated with our product pricing, see “Risk Factors – Risks Relating to Manufacturing and Commercialization of Our Product Candidates – Failure to execute effective pricing strategy due to the government guidance or fiercer market competition could harm our ability to increase sales and erode our financial profits” in this Prospectus.

### *National Reimbursement Drug List (“NRDL”) and National Essential Drug List (“NEDL”)*

Currently, none of our commercialized products have been included into the NRDL or NEDL. In order to gain market share against existing and future branded and generic competitors, we will also consider seeking inclusion of some of our products, into the NRDL or NEDL and other reimbursement programs. Inclusion into the NRDL or NEDL is evaluated and determined by the relevant government authorities and we may face significant competition for successful inclusion. While products included in the NRDL or NEDL are typically generic and essential products, many innovative products have been included in the NRDL or NEDL in the past. As of now, our products are mainly in the clinical development or pilot commercialization stages, and since both NRDL and NEDL utilize a dynamic adjustment mechanism, they could potentially be eligible for either list and confirmation from the competent authority is required to verify their eligibility, as advised by our PRC Legal Advisor. As of the Latest Practicable Date, as advised by our PRC Legal Advisor, the inclusion in the NRDL of localized adipose accumulation medication for the treatment of obesity disease are not mandatory. As of the date of this prospectus, we did not plan to seek inclusion of our Core Product into public reimbursement programs. We may seek alternatives such as commercial private insurance coverage of our Core Product and expand our sales channels and explore new collaboration partnerships, such as engaging more distribution partners in China, to maximize the sales potential of our products and enhance our commercialization capability, especially on customer reach. Currently, we collaborate with reputed hospitals for clinical trials of CU-20401 in China. After its launch, we plan to implement an academic-oriented promotion and commercialization strategy where we plan to market and sell CU-20401 to qualified medical institutions that hold the Medical Practice License.



*Two-Invoice System*

Two-invoice system refers to the mechanism where only up to two invoices are issued along the chain of pharmaceutical product procurement, with one issued by the pharmaceutical manufacturer to the distributor, and the other issued by the distributor to the medical service providers. Compared with the pre-reform procurement model, the two-invoice system aims to eliminate multiple layers of distributors along the supply chain of pharmaceutical products and streamline the procurement process, thereby ensuring that the price of pharmaceutical products is reasonable and affordable for the public. The sales of our pharmaceutical products are also subject to the regulation of two-invoice system.

As advised by our PRC Legal Advisers, the two-invoice system is mainly applicable to the procurement of certain drugs and medical consumables by public hospitals as of the date of this prospectus. According to the Two-Invoice System Notice and the Several Opinions of the General Office of the State Council on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》), which was issued on January 24, 2017, the two-invoice system would be promoted in pilot provinces (or autonomous regions and municipalities directly under the central government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis. For further details, please refer to the paragraph headed “Regulatory Overview – Other PRC Regulations Relating to the Pharmaceutical Industry – Regulations on Two-invoice System” in this prospectus. Our sales to the distributors are not subject to the requirements of two-invoice system. As advised by our PRC Legal Advisers are of the view that our current sales operations do not violate the two-invoice system.

As advised by our PRC Legal Advisor, the laws and regulations governing PRC pharmaceutical operation and internet pharmaceutical transaction services are not applicable to our dealing of CUP-MNDE and CUP-SFJH. Such laws and regulations are applicable to the activities of drugs production and transaction within the jurisdiction of the PRC, whereas we do not sell any drugs through our own websites or provide any third parties with internet drug trading services. Our distribution of products is generally conducted by Cutia HK, which is incorporated in Hong Kong and procures CUP-MNDE and CUP-SFJH for distribution. Cutia HK directly sells CUP-MNDE and CUP-SFJH to customers through the Tmall Global e-commerce platform and sells another portion of CUP-MNDE through a distributor in Hong Kong, which then sells our products to a sub-distributor, JD Health. Pursuant to the Customer Notice (消費者告知書/用戶須知) displayed on the websites of such third-party cross-border e-commerce platforms, purchases of products thereon are deemed to be overseas purchases, which is acknowledged by the customers. Our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-MNDE and CUP-SFJH. As advised by the Company’s PRC Legal Advisor, the laws and regulations governing PRC pharmaceutical operation, including regulations on two-invoice system, are not applicable to the Company’s dealing of CUP-MNDE and CUP-SFJH, as such laws and regulations are applicable to the activities of drugs production and transaction within the

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jurisdiction of the PRC whereas we do not sell any drugs through our own websites or provide any third parties with internet drug trading services. Besides, the two-invoice system is a system under which invoices are issued by drug manufacturers to drug distributors on a once-off basis while invoices are issued by drug distributors to medical institutions on a once-off basis. Because the two-invoice system is mainly applicable to the procurement of certain drugs and medical consumables by public hospitals, the PRC laws and regulations governing the two-invoice system shall not be applicable to sales of CUP-MNDE and CUP-SFJH. Thus, as advised by our PRC Legal Advisor, we are not exposed to any liability due to non-compliance of the relevant rules and regulations on two-invoice system.

The following table sets forth the details of our sales model for our commercialized products as of the Latest Practicable Date.

Products	Mode of Distribution	Distribution channels	Sales liability(ies) under the relevant mode of distribution	Analysis regarding the two-invoice system in the PRC
CU-40102	Sales to distributors	Third party distributor in Hainan which sells the products to a qualified medical institution in the Boao Pilot Zone	Medical institutions shall be responsible for the clinical use of urgently needed imported drugs in accordance with the law. If the patient's body is injured during clinical use, the medical institution shall be liable for compensation in accordance with the relevant state regulations. According to the relevant law, if the injury is caused by drugs, the medical institution shall first compensate, and then reach an agreement with us to recover the compensation. We may seek remedies from the manufacturer if the product are not meeting the conditions or not free from serious defects.	As the two-invoice system is mainly applicable to the procurement of certain drugs and medical consumables by public hospitals, our PRC Legal Advisor is of the view that our current sales operations do not violate the two-invoice system.

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Products	Mode of Distribution	Distribution channels	Sales liability(ies) under the relevant mode of distribution	Analysis regarding the two-invoice system in the PRC
CU-10201	Sales to distributors	Third party distributor in Hainan which sells the products to a qualified medical institution in the Boao Pilot Zone	Medical institutions shall be responsible for the clinical use of urgently needed imported drugs in accordance with the law. If the patient's body is injured during clinical use, the medical institution shall be liable for compensation in accordance with the relevant state regulations. According to the relevant law, if the injury is caused by drugs, the medical institution shall first compensate, and then reach an agreement with us to recover the compensation. We may seek remedies from the manufacturer if the product are not meeting the conditions or not free from serious defects.	As the two-invoice system is mainly applicable to the procurement of certain drugs and medical consumables by public hospitals, our PRC Legal Advisor is of the view that our current sales operations do not violate the two-invoice system.
CUP-MNDE	Direct sales	Tmall Global	As advised by our PRC Legal Advisor, as to the cross-border e-commerce online sales, the obligation to ensure compliance with the E-Commerce Law primarily fall upon the e-commerce platforms. We cooperate with e-commerce platforms to comply with the related regulations and may be liable under the Law of the People's Republic of China on the Protection of Consumer Rights and Interests when consumers whose lawful rights and interests are infringed upon in purchasing or using commodities. We may seek remedies from the manufacturer if the product are not meeting the conditions or not free from serious defects.	Our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-MNDE.

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Products	Mode of Distribution	Distribution channels	Sales liability(ies) under the relevant mode of distribution	Analysis regarding the two-invoice system in the PRC
	Sales to distributors	Third party distributor in Hong Kong which sells the products to a sub-distributor, JD Health, which then sells to individual customers.	We may be liable under the terms of the agreement we have entered with the distributor, which subject to defective products, warranty expiration, or product recall issue.	Our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-MNDE.
CUP-SFJH	Direct sales	Tmall Global	As advised by our PRC Legal Advisor, as to the cross-border e-commerce online sales, the obligation to ensure compliance with the E-Commerce Law primarily fall upon the e-commerce platforms. We cooperate with e-commerce platforms to comply with the related regulations. We may be liable under the Law of the People's Republic of China on the Protection of Consumer Rights and Interests when consumers whose lawful rights and interests are infringed upon in purchasing or using commodities. We may seek remedies from the manufacturer if the product are not meeting the conditions or not free from serious defects.	On the basis that CUP-SFJH is a cosmetic product which is not regulated as drug or pharmaceutical product, our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) and internet pharmaceutical transaction services are not applicable to our sales of CUP-SFJH.

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Products	Mode of Distribution	Distribution channels	Sales liability(ies) under the relevant mode of distribution	Analysis regarding the two-invoice system in the PRC
Routine Skin Care Products	Direct sales	Tmall and a number of other e-commerce platforms, including Douyin and Xiaohongshu	As advised by our PRC Legal Advisor, we might be held liable under the E-commerce law as an e-commerce operator and may be liable under the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests when consumers whose lawful rights and interests are infringed upon in purchasing or using commodities. We may seek remedies from the manufacturer if we received complaints from our customers.	On the basis that Routine Skin Care Products are not regulated as drugs or pharmaceutical products, our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) are not applicable to our sales of Routine Skin Care Products.
	Sales to distributors	Three third party distributors in the PRC which sell the products to customers offline through their stores or online through the e-commerce platforms	As advised by our PRC Legal Advisor, we may be liable under the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests when consumers whose lawful rights and interests are infringed upon in purchasing or using commodities. We may seek remedies from the manufacturer if we received complaints including the safety issues from our customers.	On the basis that Routine Skin Care Products are not regulated as drugs or pharmaceutical products, our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations (including two-invoice system) are not applicable to our sales of Routine Skin Care Products.

## INTELLECTUAL PROPERTY

Intellectual property (“IP”) rights are central to the success of our business. Our commercial future will depend, in part, on our ability to acquire and protect our intellectual property rights for commercially significant technologies, inventions and know-how. This could involve the acquisition of new patents, the defense of existing patents, and the protection of our trade secrets. We will also have to operate without infringing, misappropriating, or otherwise violating third parties’ valid, enforceable intellectual property rights.

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As of the Latest Practicable Date, we held 24 patents and patent applications (including in-licensed patents and patent applications) in Mainland China, Hong Kong and Japan, and two PCT patent applications. We plan to continue to file additional patent applications for CU-20401 and its indications in order to obtain exclusivity protection after the expiration date of the patent for CU-20401 in 2038. The following table sets forth an overview of our material granted patents and patent applications in connection with our product candidates as of the Latest Practicable Date:

<b>Related Product</b>	<b>Name of Patent</b>	<b>Jurisdiction</b>	<b>Status</b>	<b>Patent Expiration<sup>(1)</sup></b>	<b>Market Commercial Rights of the Company</b>
CU-20401	A recombinant variant collagenase preparation method and use thereof	Mainland China	Granted <sup>(2)</sup>	2038-07-30	Exclusive
CU-40102	Spray dispenser	Mainland China	Granted	2037-06-30	Exclusive <sup>(3)</sup>
CU-40102	Film-forming liquid formulations for drug release to hair and scalp	Hong Kong	Granted	2037-06-30	Exclusive <sup>(3)</sup>
		Hong Kong	Granted	2029-07-29	Exclusive <sup>(3)</sup>
CU-40101	Small molecule compound and synthesizing method and uses thereof	Mainland China	Granted	2034-08-14	Exclusive <sup>(4)</sup>
		Japan	Granted	2035-08-13	Exclusive <sup>(4)</sup>
CU-10101	A type of diphenylethylene derivative and use thereof	Mainland China	Granted	2033-10-14	Exclusive
CU-10101	Hydroxydiphenylethylene Class Compound Ointment and the Use and Preparation Method Thereof	PCT	Pending	N/A	Exclusive
CU-10101	Hydroxystilbene Class Compound Ointment and the Use and Preparation Method Thereof	PCT	Pending	N/A	Exclusive

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*Notes:*

- (1) The patent expiration date is estimated based on current filing status, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees.
- (2) The patent was invented by employees of Rejuven. The patent application was filed by Rejuven on July 30, 2018 in Mainland China and issued on May 12, 2020 to Rejuven. Pursuant to the CU-20401 Agreement, Rejuven transferred the patent ownership to us in October 2020. We are the current owner of the patent in Mainland China. After our patent acquisition of CU-20401, Rejuven does not hold any patents in relation to CU-20401 in Asia. We do not have plans to file patent applications for CU-20401 in countries other than China.
- (3) We have the exclusive right to use these three patents in the field relating to androgenic alopecia.
- (4) We have the exclusive right to use these two patents in the field of dermatology indications including scalp disease treatment.

The term of an individual patent may vary based on the countries/regions in which it is granted. The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned, or in-licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and the methods of manufacturing the same.

We rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality arrangements with contractors. We have entered into confidentiality and non-compete agreements with our key employees and employees involved in R&D, pursuant to which intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property. We also have established an internal policy governing the confidentiality of all company information. Despite the measures we have taken to protect our intellectual property, our proprietary information may be obtained by unauthorized parties. For more details, see “Risk Factors – Risks Relating to Our Intellectual Property Rights” in this Prospectus.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises as well as physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. For more details, see “Risk Factors – Risks Relating to Our Operations – Our internal information technology and other infrastructure, or those used by our CROs, CDMOs or other contractors or consultants, may fail or suffer security breaches” in this Prospectus.

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As of the Latest Practicable Date, we owned 140 registered trademarks and filed 66 trademark applications in Mainland China and Hong Kong. We can also seek trademark protection for our Company and our corporate logo in additional jurisdictions that are available and appropriate. We are also the registered owner of one domain name.

Nevertheless, we may not be able to identify all of the patent applications filed by other market players. Additionally, patent infringement claims often involve an analysis of complex legal and factual issues, the determination of which are often difficult to foresee. If any of our competitors alleges patent infringement claims against us before a court, there is no assurance that the judgment of the court regarding the patent infringement claims will be in our favor. Furthermore, new patents obtained by our competitors could threaten a product's continued life in the market even after it has already been introduced.

As of the Latest Practicable Date, we hold one patent in relation to our Core Product. After patent acquisition of CU-20401, Rejuven does not hold any other patents in relation to CU-20401 within Asia. Our Directors believe that such a patent has covered all the key characteristics of the Core Product for the PRC market and the Company's exposure to any objection or claim from other market players concerning similar technologies or features underlying their granted patents or patent applications is remote. To our best knowledge, we do not expect any legal impediment in obtaining approval for each pending patent application. During the Track Record Period and up to the Latest Practicable Date, we had not received or aware of any actual, pending or threatened patent infringement claims against us. To our best knowledge, we are not aware of any potential or material claims or disputes in relation to the infringement of intellectual properties of our products during the Track Record Period. Based on the freedom-to-operate analysis conducted on the key characteristics of our Core Product in the PRC, we did not identify any issued patents in the PRC owned by third parties which may affect our R&D, manufacturing and commercialization rights of our Core Product in Mainland China.

We have established a set of intellectual property management measures in order to strengthen the protection of intellectual property, encourage the enthusiasm of invention, and promote the application of scientific research results. The employee contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. During the term of the contract, all technical achievements made by the employee using the production, management and technical information of the Company shall be the result of his employment. Apart from the right of attribution, all other intellectual property rights in relation to these achievements shall belong to the Company. During the term of the contract and for one year after termination of such contract, all technical achievements made by the employee while carrying out tasks or engaging in production or business activities for the Company, and using the production, management and technical information of the Company, shall belong to the Company in all respects (including ownership, use rights, transfer rights and all other intellectual property rights). If such technical achievements are subsequently patented, the patent rights and application rights also belong to the Company.



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### CUSTOMERS

During the Track Record Period, apart from our five largest customers in each year who are our distributors, our customers are all individual customers. The total revenue generated from our five largest customers amounted to RMB381,000 and RMB4,646,000 in 2021 and 2022, respectively. In 2021 and 2022, our five largest customers together accounted for 18.7% and 40.9%, respectively, of our total revenues during those periods, and our largest customer accounted for 18.7% and 39.4%, respectively, of our total revenues during those periods. We generally grant a credit term of less than 30 days or 15 days from the first day of the following month after receipt of value-added tax invoice to our customers. None of our five largest customers in each year is our supplier. For more details, see “Risk Factors – Risks Relating to Our Reliance on Third Parties – We are subject to credit risks of our customers. If we experience delays in collecting or if we are unable to collect payments from customers, our cash flows and operations could be adversely affected”.

To the best of our knowledge, all of our five largest customers in each year during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers in each year during the Track Record Period.

The tables below set forth certain information about our five largest customers in each year in terms of revenue (in descending order) generated during the Track Record Period:

Customer	Years of relationship as of December 31, 2021	Background and business activities	Product sold	Credit term	For the year ended December 31, 2021	
					Sales amount <i>(RMB'000, except percentages)</i>	Percentage of revenue
Customer A	One	Customer A is a reputable and leading provider of a suite of health and well-being products headquartered in Hong Kong	CUP-MNDE	30 days after for the second and subsequent purchases	381	18.7%

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Customer	Years of relationship as of December 31, 2022	Background and business activities	Product sold	Credit term	For the year ended December 31, 2022	
					Sales amount <i>(RMB'000, except percentages)</i>	Percentage of revenue
Customer A	Two	Customer A is a reputable and leading provider of a suite of health and well-being products headquartered in Hong Kong	CUP-MNDE	30 days after for the second and subsequent purchases	4,473	39.4%
Customer B	Two	Customer B is an integrated regional pharmaceutical distribution company headquartered in Hainan	CU-40102; CU-10201	10 working days each month upon receipt of payment from end-users	105	0.9%
Customer C	Less than one	Customer C is a provider of supply chain services, headquartered in Guangdong	Routine Skin Care Products	15 days from the first day of the following month after receipt of value-added tax invoice	64	0.6%
Customer D	Less than one	Customer D is a provider of medical, health and well-being products headquartered in Shanghai	Routine Skin Care Products	N/A	2	–
Customer E	Less than one	Customer E is a provider of wholesale headquartered in Shanghai	Routine Skin Care Products	N/A	2	–

The increasing concentration of customers during the Track Record Period was due to the fact that we engaged a distributor in Hong Kong for the commercialization of CUP-MNDE and a distributor in Hainan for the pilot commercialization of CU-40102 and CU-10201, which accounted for the majority of our total revenue during the Track Record Period.

We endeavor to expand and diversify our customer base by expanding direct sales channels as well as our distributor base to substantively reduce our top customer concentration going forward. We have been enhancing our direct marketing efforts, in particular our online marketing efforts, so as to increase the proportion of our direct sales, and plan to increase our sales to other distributors by launching new product categories to our existing distribution

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network for them to sell more of our pipeline products. In addition, we will also further expand our distributor base across China, in particular the northwest and south central regions of China and the medical institutions coverage. With the tailwind of a rapid growing market and our commitment to diversifying our customer base, we believe that we are well-positioned to reduce the customer concentration in the future. See “Risk Factors – Risks Relating to Our Reliance on Third Parties – We depend on our distributors for a large portion of our total revenue, over whom we have limited control, during the Track Record Period, which exposes us to significant concentration risk.”

### SUPPLIERS

During the Track Record Period, we primarily procured raw materials and equipment to develop and manufacture our product candidates from reputable manufacturers and suppliers. Our purchases mainly include third-party contracting services (CRO and CDMO services) for pre-clinical evaluation and clinical trials of our product candidates and raw materials, and equipment. In 2021 and 2022, our purchases from our five largest suppliers in the aggregate accounted for 59.4% and 43.6% of our total purchases (including value-added tax), respectively, and our purchases from the largest supplier accounted for 28.2% and 15.9% of our total purchases (including value-added tax), respectively.

To the best of our knowledge, all of our five largest suppliers in each year during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers in each year during the Track Record Period.

In addition, we believe that adequate alternative sources for such suppliers exist, and we have developed alternative sourcing database for these suppliers. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. We generally have credit periods of up to 30 days.

Below is a summary of the key terms of a typical agreement with our CROs and CDMOs.

- *Services.* The CRO or CDMO provides us with services such as implementing a clinical research project, manufacturing products for trial purpose as specified in the master agreement or work order.
- *Term.* The CRO or CDMO is required to perform its services according to the prescribed timeframe set out in the master agreement or a work order.
- *Payment.* We are required to make payments to the CRO or CDMO according to the payment schedule agreed by the parties.
- *Confidentiality.* We and the CRO or CDMO agree to keep confidential any information in relation to the performance of the master agreement.

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- *Intellectual Property.* We own all intellectual property derived from the clinical research project, and we are entitled to apply patent for such intellectual properties.

The tables below set forth certain information about our five largest suppliers in each year in terms of total purchases during the Track Record Period:

Supplier	Years of relationship as of December 31, 2021	Product or service supplied	Credit Term	For the year ended December 31, 2021	
				Purchase amount (RMB'000, except percentages)	Percentage of total purchases
Supplier A	Three	Human resources and employees remuneration services	Upon the invoice issued <sup>(1)</sup>	34,978	28.2%
Parexel China Co. Ltd.	One	R&D services	30 days <sup>(2)</sup>	14,702	11.8%
Supplier C	Three	R&D services; licensing	20 working days <sup>(3)</sup>	10,000	8.1%
Bestudy (Shanghai) Medical Technology Co., Ltd.	Two	R&D services	six months for the first payment and one month for remaining payments <sup>(4)</sup>	7,784	6.3%
Hangzhou Tigermed Consulting Co., Ltd.	One	R&D services	30 days <sup>(5)</sup>	6,232	5.0%

*Notes:*

1. the amount will be settled by bank transfer upon the invoice issued
2. the amount will be settled by bank transfer within 30 days upon the invoice issued
3. the amount will be settled by bank transfer within 20 working days upon the invoice issued
4. the amount will be settled by bank transfer within six months for first payment and within one month for remaining payments upon the invoice issued
5. the amount will be settled by bank transfer within 30 days upon the invoice issued

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Supplier	Years of relationship as of December 31, 2022	Product or service supplied	Credit Term	For the year ended December 31, 2022	
				Purchase amount <i>(RMB'000, except percentages)</i>	Percentage of total purchases
Supplier A	Four	Human resources and employees remuneration services	Upon the invoice issued <sup>(1)</sup>	53,808	15.9%
Supplier E	Two	Decoration and electrical and mechanical engineering services	30 working days <sup>(2)</sup>	42,626	12.6%
Supplier F	Less than one	Indoor design and decoration services	30 working days <sup>(3)</sup>	20,884	6.2%
Hangzhou Tigermed Consulting Co., Ltd.	Two	R&D services	30 days <sup>(4)</sup>	15,086	4.5%
Parexel China Co. Ltd.	Two	R&D services	30 days <sup>(5)</sup>	14,864	4.4%

*Notes:*

1. the amount will be settled by bank transfer upon the invoice issued
2. the amount will be settled by bank transfer within 30 working days upon the invoice issued
3. the amount will be settled by bank transfer within 30 working days upon the invoice issued
4. the amount will be settled by bank transfer within 30 days upon the invoice issued
5. the amount will be settled by bank transfer within 30 days upon the invoice issued

We engaged a third-party human resource agency which is also one of our suppliers, to pay the salary and remuneration to our employees. The third-party human resource agency charges a fixed fee for each relevant employee. The reason for engaging such services was that a professional external human resource team can help us to effectively address all payroll matters so that we can focus more on our R&D activities. The high expenses for 2021 and 2022 were due to the need to recruit more employees for our activities and to engage external human resources to assist with the our day-to-day administrative operations.

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Our Directors have assessed the service fee for distribution of our employee's salary and work scope of the external agency by comparing the fee rates available in the market, as well as assessing its costs and the estimated transaction amounts in the future. As such, our Directors believe that the service fee is fair and reasonable.

### COMPETITIONS

When we were established in 2019, we were strategically positioned as an R&D-driven, dermatology-focused biopharmaceutical company focused on the broader dermatology treatment and care therapeutic areas, including localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. We aim to provide a one-stop solution for dermatology patients to achieve cross-selling in the future.

To achieve this goal, we strategically focused our initial development efforts on the most technologically challenging therapeutic areas with high clinical and commercial value such as skin diseases treatment and care, and then quickly expanded into other critical dermatology therapeutic areas. Since 2019, we have started acquiring or licensing other dermatology products to round out our pipeline, in addition to our internally developed portfolio. We are also partnering with multinational companies to distribute CUP-SFJH and CUP-MNDE to build our brand goodwill in the skin diseases and care and scalp diseases and care therapeutic areas, which will eventually translate into patient loyalty and cross-selling once other products launch market.

China's broader dermatology treatment and care market is competitive, characterized by rapid changes from technological advances and scientific discoveries. We have faced, and may continue to face, competition mainly from international and domestic pharmaceutical and biotechnology companies, academic institutions and public and private research institutions in the areas in which we primarily operate our current business and seek future expansion. See "Industry Overview" for more details of the competitive landscape of each relevant market regarding our pipeline products.

We believe our principal competitive advantages include integrated capabilities, extensive technology platforms, comprehensive pipeline and seasoned management team. However, some of our current or future competitors may have longer operating history, higher market recognition and degree of acceptance, and stronger R&D, manufacturing and commercialization capabilities than us.

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### GOVERNMENT GRANTS, AWARDS AND RECOGNITIONS

The following table sets forth some of the important accreditations and awards we had received from the relevant authorities and organizations in China as of the Latest Practicable Date in recognition of our R&D capabilities:

Year	Accreditation/Award	Accreditation Organization
2021	The “Flying Phoenix Talent Plan” Entrepreneurial Leader Project (“飛鳳人才計劃”創業領軍人才專案)	Wuxi High-tech Zone (Xinwu District) Talent Work Leading Group Office (無錫高新區(新吳區)人才工作領導小組辦公室) Science and Technology Bureau of Wuxi High-tech Zone (Xinwu District) (無錫高新區(新吳區)科技局)
2021	Zhangjiang Science City Special Funds Policy (張江科學城專項資金政策)	Shanghai Zhangjiang Science City Construction Management Office (上海市張江科學城建設管理辦公室)
2022	The First Batch of Science and Technology-Based Small and Medium Enterprises of Jiangsu Province in 2022 (江蘇省2022年第1批入庫科技型中小企業)	Science and Technology Department of Jiangsu Province (江蘇省科技廳)
2022	The First Batch of Science and Technology-Based Small and Medium Enterprises of Shanghai in 2022 (上海市2022年第1批入庫科技型中小企業)	Shanghai Science and Technology Commission (上海市科學技術委員會)
2023	The “Wuxi Taihu Talent Plan” (無錫市“太湖人才計劃”)	Wuxi Talent Work Leading Group Office (無錫市委人才工作領導小組辦公室) Wuxi Science and Technology Bureau (無錫市科學技術局) Wuxi Bureau of Finance (無錫市財政局) Wuxi Human Resources and Social Security Bureau (無錫市人力資源和社會保障局)

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### INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover employee benefits liability, adverse events in clinical trials, environmental liability and property loss. For more details, see “Risk Factors – Risks Relating to our Operations – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources” in this Prospectus.

We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. During the Track Record Period, we had not made or been the subject of any material insurance claims.

### EMPLOYEES

As of the Latest Practicable Date, we had 223 employees in total. Among the 223 employees, 128 are stationed in our headquarters in Shanghai. As of December 31, 2022, we had a total of 175 employees, of which 172 employees or 98.3%, are based in China, and 3 employees or 1.7%, are based in Hong Kong. The following table sets forth the number of our employees categorized by function as of the Latest Practicable Date.

<b>Function</b>	<b>Number</b>	<b>Percentage of total</b>
R&D	41	18.4%
Manufacturing and Quality Control	45	20.2%
Medical and Regulatory Affairs	36	16.1%
Sales, Marketing and Administration	101	45.3%
<b>Total</b>	<b>223</b>	<b>100%</b>

We enter into individual employment contracts with our employees covering salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. The contracts also typically include confidentiality and non-competition clauses.

To maintain our workforce’s quality, knowledge, and skill levels, we provide continuing education and training programs, to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects. Furthermore, we provide various incentives and benefits to our employees, including bonuses and share-based compensation, particularly our key employees.



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Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions, and other welfare payments. We have made contributions to our employees' social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds pursuant to applicable laws and regulations. Our PRC Legal Advisors have confirmed that we have complied with all material statutory social security insurance fund and housing fund obligations applicable to us under the PRC laws and regulations during the Track Record Period and as of the Latest Practicable Date.

### LAND AND PROPERTIES

As of the Latest Practicable Date, we do not hold any real property. As of the Latest Practicable Date, we leased eight properties with an aggregate GFA of approximately 28,954.2 sq.m. We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

The following table sets forth the details of our leased properties as of the Latest Practicable Date:

Usage	Location	GFA (sq.m)	Lease Term
Office	Jingan District, Shanghai	1,546.2	September 22, 2020 to January 7, 2026
R&D Site	Minhang District, Shanghai	6,253.4	July 21, 2022 to July 20, 2028
Manufacturing Plant, Office	Pudong New District, Shanghai	1,171.9	August 7, 2020 to August 7, 2023
Production Site	Wuxi, Jiangsu	18,976.5	October 1, 2021 to September 30, 2033
Office	Wuxi, Jiangsu	339.6	October 1, 2021 to September 30, 2023
Office	Dongcheng District, Beijing	176.8	November 1, 2021 to October 31, 2024
Office	Haidian District, Beijing	481.1	March 15, 2022 to September 15, 2023
Office (licensed property)	Kowloon, Hong Kong	8.7	June 1, 2022 to May 31, 2024

**ENVIRONMENTAL, SOCIAL, AND GOVERNANCE****Governance**

We acknowledge our environmental protection and social responsibilities and are aware of the climate-related issues that may impact our Group's business operation. We are committed to complying with environmental, social and governance ("ESG") reporting requirements upon listing.

We have established a set of ESG policies ("**ESG Policy**") covered under relevant international standards. We endeavor to reduce negative impacts on the environment through our commitment to energy saving and sustainable development. We plan to adopt governance measures in place to comply with all ESG-related laws and regulations and to monitor and collect ESG-related data for preparing disclosure in compliance with the requirements of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules, upon the Listing and when appropriate. We are preparing and will establish an ESG policy in accordance with the standards of Appendix 27 to the Listing Rules, which outlines, among others (i) reduction of greenhouse gas emissions, (ii) treatment of exhaust gas and solid waste, (iii) adoption of materials that cause minimum environmental concerns to the extent possible, and (iv) conservation of energy, among other aspects. We continue to promote work-life balance and create a positive workplace for all of our employees. For social matters, we have adopted policies related to (i) product quality, (ii) employee health, compensation and benefits, (iii) employee training, wellness and professional and personal development, and (iv) employee complaint handling, among other aspects. Our ESG Policy also sets out different parties' respective responsibilities and authority in managing the ESG matters. Our Board has overall responsibility for overseeing and determining our Group's environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy and targets of our Group, and reviewing our Group's performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified. As confirmed by Frost & Sullivan, the Group's resource consumption and pollutant management are in line with the industry average.

Our Board has established an ESG working group that comprises our executive Directors and management representatives. The ESG working group will have a specific focus on environmental matters, such as energy consumption, pollutants, greenhouse gas emissions and reporting, as well as waste management and recycling efforts. The ESG working group serves as a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; identifying and assessing ESG-related matters, including climate-related risks, by taking into consideration the metrics and targets stipulated in Appendix 27 to the Listing Rules and applicable laws, regulations and industry standards; managing how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of our Group and the effectiveness of the ESG systems.

**Potential Impacts of ESG-Related Risks**

We are subject to various ESG related laws and regulations in China, and our operations are regularly inspected by local government authorities. During the Track Record Period and up to the Latest Practicable Date, we have not received any fines or penalties associated with the breach of any environmental laws or regulations. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. We will engage an ESG advisor and will conduct an enterprise risk assessment to cover the current and potential ESG risks faced by the Group in due course, and aims to complete the entire assessment by the fourth quarter of 2023. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

In view of the nature of our business, to the best knowledge of our directors, the climate change will not have any major impact on our business operation. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material impact on our business operations, strategies or financial performance as a result of environmental, social and climate-related issues.

Potential transition risk may result from a lower-carbon economy, which entails climate-related regulations and policy change and reputational risk. Currently, the National Development and Reform Commission and the Ministry of Ecology and Environment have jointly issued the Opinions on Further Strengthening the Cleanup of Plastic Pollution, laying out a five-year roadmap to restrict the use, production and sale of plastic products by 2020, 2022, and 2025, respectively. Our Group will work with the suppliers to comply with such regulations, and we will monitor the scope to ensure our works meet the expectations of the regulators.

Set forth below summarizes the climate-related risks our Group identified over the short, medium and long term.

	<b>Risks</b>	<b>Potential Impacts</b>
<p><b>Short term</b> (current annual reporting period)</p>	<ul style="list-style-type: none"> <li>• Sustained elevated temperature</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced revenue from damage to assets, disruption to third-party logistic providers or third-party manufacturers</li> </ul>
<p><b>Medium term</b> (one to three years)</p>		<ul style="list-style-type: none"> <li>• Increased operating expenses</li> </ul>

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	<b>Risks</b>	<b>Potential Impacts</b>
<b>Long term (four to ten years)</b>	<ul style="list-style-type: none"> <li>• Change in climate-related regulations</li> <li>• Shifts in customer preferences</li> </ul>	<ul style="list-style-type: none"> <li>• Increased cost of inventories sold due to policy changes</li> <li>• Reduced demand for goods and services</li> </ul>

### Strategies in addressing ESG-related risks

We will adopt various strategies and measures to identify, assess, manage and mitigate environmental, social and climate-related risks, including but not limited to:

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis.
- discussing among management from time to time to ensure all the material ESG areas are recognized and reported.
- discussing with key stakeholders on key ESG principles and practices to ensure that the significant aspects are covered.
- organizing a specific ESG risk management process to identify and consider ESG risks and opportunities separate from other business risks and opportunities.
- setting targets for environment KPI, including with regard to emission, pollution and other impact on the environment aimed at reducing emissions and natural resource consumption.

We will adopt comprehensive measures to mitigate environmental impact from our business, strategy and financial performance in the near, medium and long term, as summarized below:

<b>Focus area</b>	<b>Key measures</b>
Exhaust gas management	<ul style="list-style-type: none"> <li>• Adopt exhaust gas treatment system and install active carbon filters</li> </ul>
Greenhouse gas management	<ul style="list-style-type: none"> <li>• Increase the use of clean energy</li> <li>• Use energy efficient equipment</li> </ul>
Sewage management	<ul style="list-style-type: none"> <li>• Install sewage treatment system</li> </ul>

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<b>Focus area</b>	<b>Key measures</b>
Solid waste management	<ul style="list-style-type: none"><li>• Require proper handling and disposal of solid waste</li><li>• Set up hazardous waste storage sites in accordance with relevant standards and establish standardized hazardous waste management system</li><li>• Engage qualified third-party suppliers for solid waste disposal</li></ul>
Energy and resource conservation	<ul style="list-style-type: none"><li>• Improve energy-saving features such as energy-saving transformers</li><li>• Conserve water by recycling rain water and installing low-flow valves</li></ul>

Our Group will conduct an enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess or engage an external expert to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, Audit Committee, and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks and risks monitored as part of the standard operating processes to ensure the appropriate mitigations are in place of the regular management reviews.

The decision to mitigate, transfer, accept or control risk is influenced by various factors such as government regulation and public perception. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risk and opportunities are considered material, our Group will make reference to them in the course of the strategy and financial planning process. Upon annual review of the environmental, social and climate-related risks and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

### Metrics and Targets

We monitor the following metrics to assess and manage the environmental and climate-related risks arising from our business and manufacturing operations:

#### *Resource consumption*

- *Electricity consumption.* We have monitored our electricity consumption levels and implement measures to improve energy efficiency since 2021. For the years ended December 31, 2021 and 2022, our electricity consumption levels were 765,628.7 kWh and 1,592,892.6 kWh, respectively.
- *Water consumption.* We have monitored our water consumption levels and implement measures to promote water conservation since 2021. For the years ended December 31, 2021 and 2022, our water consumption levels were 908.3 m<sup>3</sup> and 13,259.1 m<sup>3</sup>, respectively.

#### *Pollutant management*

- *Greenhouse gas discharge.* We have monitored our greenhouse gas (“GHG”) discharge levels on a periodic basis since 2021. For the years ended December 31, 2021 and 2022, our GHG emissions were approximately 445.3 ton of CO<sub>2</sub> equivalent and 921.3 ton of CO<sub>2</sub> equivalent, respectively. Such exhaust gas was properly treated prior to discharge.
- *Hazardous waste discharge.* We have monitored our hazardous waste discharge levels on a periodic basis since 2021. For the years ended December 31, 2021 and 2022, our hazardous waste discharge levels were approximately 11.5 tons and 7.6 tons, respectively.

Our Board will set targets for each material KPIs at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon listing. The relevant targets on material KPI will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the ESG-related KPIs, we have taken into account our respective historical consumption or discharge levels during the Track Record Period, and have considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. We will make continuous efforts in working towards the target of reducing our electricity and water consumption, gas emissions and hazardous wastes discharge per thousand dollars of R&D expense by 5% in 2023.

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Our total cost of compliance with environmental protection and health and safety laws and regulations for 2021 and 2022 was approximately RMB104,080 and RMB72,117.3, respectively. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards.

### **Green Packaging**

We are constantly searching for ways to minimize the environmental impact of our products. We have sought to implement green packaging initiatives for our products. Eco-friendly packaging solutions use materials and manufacturing techniques which in turn allow us to reduce the carbon footprint of our business activities.

### **Animal Clinical Trial**

During the Track Record Period, we had not conducted any animal clinical trials or studies with ethical issues, or with raw materials that are not environmental friendly. We aim to prevent unnecessary animal experiments and reduce the use of raw materials that are not environmental friendly for our clinical trials, and follow applicable regulations, industry best practices and ethical standards for our daily operations.

### **Workplace Safety**

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees' healthy and safe environment. We implement safety guidelines to set out information about potential safety hazards and procedures for operating in the manufacturing facilities. We ensure safe storage and handling of flammable and corrosive materials used in our manufacturing process. We also have safety equipment and instruments in place, and we periodically inspect our utility equipment and fire services to ensure the safety of our employees. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees. We provide benefits such as an improved health insurance plan to bring a better welfare experience to our employees.

### **Product Safety**

Our online brand promotional and advertising campaigns are featured with activities providing customers with professional skincare knowledge and the actual efficacies of our products. For example, we have stringent selection criteria in relation to our business partners and vendors, particularly when it comes to raw material and product safety, and that, as part of our vendor selection process, third parties we engage should obtain the full suite of licenses and credentials and should be suitably qualified with dedicated professionals, quality facilities

and equipment. We also inform our customers that certificates have been obtained from professional testing institutions that conducted efficacy tests and safety assessments on our products. Through these results, we communicate to our customers about the reliability and efficacies of our products.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to any product safety issues and false advertising incidents, and had been in compliance with the relevant laws and regulations in China in all material aspects.

### **Supply Chain Management**

Our suppliers mainly include raw material suppliers and packaging materials suppliers, which could all profoundly impact the safety and quality of our products as well as our overall brand image. Therefore, we have a supplier management policy, based on which we evaluate our suppliers carefully according to their historical quality performance.

In addition, we also encourage our suppliers to comply with relevant environmental and social regulations. Since we are not engaged in manufacturing of products and we do not directly perform the delivery of goods, we do not purchase any cartons or other packaging materials to package the products we sold under the distribution method. For the products we procured from our partners, their packaging involves usage of packaging materials such as packaging tapes, labels and cartons. We commit to reducing our environmental footprint. We adhere to the principles of simplicity, high efficiency and convenient use for customers, and expect to collaborate with our suppliers to package the products in a more environment friendly manner. We have also included anti-corruption clauses in our agreements with our suppliers to prevent collusion and corruption.

### **Data Privacy Protection**

We have established procedures to protect the confidentiality of patients' data. We implement strict internal policies such as Information Management Policies and Data Privacy Protection Policies to govern the collection, handling, storage, retrieval of, and access to our patients' personal data and medical records and protect the security and confidentiality of personal information to ensure compliance with all applicable national or international rules and regulations on data protection and privacy. We usually require our personnel to collect and safeguard personal information in their possession. Our information technology network is configured with multiple layers of protection to secure our databases and servers. We have also implemented a variety of protocols and procedures, such as regular system checks, password policy, server access logging, network access authentication, user authorization review and approval and data back-up, as well as data recovery test, to safeguard our data assets and prevent unauthorized access to our network. According to the GCP and relevant regulations, access to clinical trial data has been strictly limited to authorized personnel. In order to strengthen the management of our database, ensure the normal and effective operation of the database, and ensure the security of the database, we have designated database administrators



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to carry out the responsibilities of daily maintenance, authority control, security protection and other management of the database. Additionally, we require external parties and internal employees involved in clinical trials to comply with confidentiality requirements. Data are to be used only for the intended use, as agreed by the patients and consistent with the informed consent form.

Furthermore, we enter into confidentiality agreements with our employees who have access to any aforementioned privacy information. The confidentiality agreements provide that, among others, these employees are legally obligated not to misuse the confidential information while in office, to surrender all confidential information in possession while resigning, and to retain their confidential obligations after they leave office. We also implement a series of measures to ensure our employees' compliance with our data security measures. For instance, we require new hires to receive on boarding training on data security and employees to be familiarised with the relevant data security policies. Employees shall acknowledge to us that they understand and will follow our internal policies.

During the Track Record Period, we did not experience any breach of confidential client information or any other client information-related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

Our PRC Legal Advisors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, work safety, product safety, data privacy and social and environmental protection, had not been involved in any accident or fatality and had been in compliance with the relevant PRC laws and regulations in all material aspects.

### **PERMITS, LICENSES AND OTHER APPROVALS**

As of the Latest Practicable Date, our PRC Legal Advisors confirmed we had obtained all requisite licenses, approvals and permits from relevant PRC authorities that are material to our operations in the PRC, and such licenses, permits and certifications all remain in full effect. For more details regarding the laws and regulations to which we are subject, see "Regulatory Overview" in this Prospectus. We had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. To the best knowledge of our PRC Legal Advisors, there is no material legal impediment in renewing such licenses, permits, approvals and certificates as they expire in the future as long as we are in compliance with applicable laws, regulations and rules. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to maintenance and renewal of our material licenses, permits, approvals and certificates.

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The following table sets forth the details of our material licenses, permits and approvals as of the Latest Practicable Date:

<b>Licenses/Permit</b>	<b>Issuing Authority</b>	<b>Grant Date</b>	<b>Expiry Date</b>
Notice of Approval for Clinical Drug Trials (No. 2021LP00444) (藥物臨床試驗批准通知書) (編號: 2021LP00444))	NMPA	April 6, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP01553) (藥物臨床試驗批准通知書) (編號: 2021LP01553))	NMPA	September 27, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02036) (藥物臨床試驗批准通知書) (編號: 2021LP02036))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02037) (藥物臨床試驗批准通知書) (編號: 2021LP02037))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02038) (藥物臨床試驗批准通知書) (編號: 2021LP02038))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02039) (藥物臨床試驗批准通知書) (編號: 2021LP02039))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP01219) (藥物臨床試驗批准通知書) (編號: 2021LP01219))	NMPA	August 4, 2021	N/A

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Licenses/Permit	Issuing Authority	Grant Date	Expiry Date
Notice of Approval for Clinical Drug Trials (No. 2022LP00366) ((藥物臨床試驗批准通知書) (編號: 2022LP00366))	NMPA	March 7, 2022	N/A
Notice of Approval for Clinical Drug Trials (No. 2022LP01808) ((藥物臨床試驗批准通知書) (編號: 2022LP01808))	NMPA	November 1, 2022	N/A
Pharmacy and Poisons Ordinance Wholesale Dealer Licence (No. 72/2A/2022) ((藥劑業及毒藥條例批發商牌照) (編號: 72/2A/2022))	Pharmacy and Poisons Board	October 3, 2022	October 2, 2023 ( <i>Note</i> )

*Note:* As of the Latest Practicable Date, we had not commenced the process for renewing this licence and we believe there was no substantial legal impediment for us to renew this licence as long as we comply with the relevant requirements.

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or threatened legal or administrative proceedings. We are committed to maintaining the standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

### Legal Compliance

Our PRC Legal Advisors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all material applicable PRC laws and regulations. Our Directors confirmed that we were not involved in any material or systemic non-compliance incidents.

Our compliance team is responsible for building, developing and improving our compliance management system to ensure our compliance culture is embedded into everyday workflow. The team conducts compliance training for target groups and identifies, assesses, and reports compliance risks and expectations in a timely manner. Our compliance team will also work with the senior management team to monitor and evaluate the effectiveness of our compliance function and structure to ensure that we comply with the applicable laws and regulations.

**Non-Compliances**

During the Track Record Period and up to the Latest Practicable Date, we experienced certain non-compliance incidents, the details of which are set forth below:

***Property Issues***

We leased one property for office use from an Independent Third Party. As advised by our PRC Legal Advisors, such parcel of land was obtained by the landlord by way of government allocation (劃撥地). In order to lease allocated land, one must obtain necessary approval from relevant government authorities and comply with legal procedures to convert allocated land into assigned land (出讓地). Therefore, the lease entered into by us may be deemed invalid and unenforceable under the applicable PRC laws. The premises is used for general office space and a comparable replacement site is readily available in the vicinity. As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of our leased properties that might affect our current occupation.

In addition, pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, the lease agreements shall be filed for registration and property leasing filing certificates shall be obtained. During the Track Record Period and as of the Latest Practicable Date, eight of our lease agreements for properties in China have not been registered with relevant authorities in China. The registration of these relevant lease agreements requires additional steps to be taken by the lessors which are beyond our control. We cannot assure you that the lessors will be cooperative and that we can complete the registration of these lease agreements. We also maintain a pool of site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so. As advised by our PRC Legal Advisor, if we cannot complete the registration of lease agreement, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each of the lease agreements, resulting in an aggregate maximum exposure to penalties of RMB80,000. Such noncompliance does not affect the validity of the property lease agreement, and we believe such non-compliance is unlikely to have a material adverse effect on our business operations and financial performance.

We had one leased property in Shanghai with a leased period of three years. The lease agreement will be terminated in August 2023 with an option of renewal of three years. For our early termination, the landlord is entitled to charge a three-month rental fee as a penalty. This property is used as a manufacturing plant and office, for which we did not complete the required fire safety filing. As advised by our PRC Legal Advisor, the maximum penalty that we could incur in connection with such non-compliance incidents shall be a fine of RMB5,000 for failure to complete the fire safety filing. Our PRC Legal Advisor is of the view that the risk that we would be subject to any material retrospective administrative penalties by the relevant governmental authorities due to the non-compliance relating to fire safety with respect to the leased property is remote on the following bases: (i) we had not been subject to any material

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administrative penalties with respect to the relevant fire safety non-compliance incidents during the Track Record Period, (ii) we will fully comply with such order in the event we are ordered by the relevant governmental authorities to rectify the relevant fire safety noncompliance incidents, and (iii) we have ceased to use the leased property and it has been agreed that the lease agreement will be terminated. We have relocated to another leased property and moved the devices and facilities to the property, which has received the Notice of Completion and Acceptance for Construction Project that the Company had completed the fire safety filing for the new property.

We aim to enhance our internal control measures and procedures with respect to the foregoing to manage associated risks and prevent re-occurrence of such non-compliance incidents. We provide regular trainings on fire safety to our staff, which cover key aspects of our daily operations. We also organize fire drills on a regular basis to increase fire safety awareness of our employees.

### *Social insurance and the housing provident fund issues*

During the Track Record Period, we engaged third-party human resource agency to pay social insurance premium and housing provident funds for 10 of our employees. Pursuant to the agreement entered into between such third-party human resources agency and us, the third-party human resources agency have the obligation to pay social insurance premium and housing provident funds for our relevant employees on behalf of us. We expect to make contributions to the social insurance plans and the housing provident fund to those 10 employees after the expiration of the term of the agreement between third-party human resources agency and us. As of the Latest Practicable Date, we had not received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agency. These 10 employees have never pursued any claims against us with the competent authorities. As advised by our PRC Legal Advisor, considering the facts stated above, the risk of us being subject to material penalties as a result of paying the social insurance premium or housing provident funds through third-party agency and thus have any material adverse effect on our financial condition or results of operations taken as a whole is relatively low. However, if the local governments determine the use of third-party agency to pay social insurance and housing provident funds to be non-compliant in the future or such human resource agency fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. The maximum exposure of penalties for the above non-compliance is that if we fail to pay social insurance contributions on time and in full, the social insurance agency shall place an order with us demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.5% shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department.

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To ensure compliance with the relevant regulations relating to social insurance and housing provident fund in the future, we have enhanced our internal control measures requiring social insurance and housing provident fund contributions to be made in compliance with relevant PRC laws and regulations in all material aspects. In particular, we plan to regularly review and monitor the reporting and contributions of social insurance and housing provident fund and consult our PRC legal counsel on a regular basis to keep us abreast of relevant regulatory developments.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

#### **Risk Management**

We are exposed to various risks in our business operations, and we believe that risk management is important to our success. For more details, see “Risk Factors – Risks Relating to Our Operations.” Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system.
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and
- attend training sessions by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

**Internal Control**

We have employed an independent internal control consultant to assess our internal control system in connection with the Listing. The internal control consultant has conducted a review procedure on our internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. We had improved our internal control system by adopting and implementing a series of new internal control policies. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures.

We have also appointed external legal counsels to advise us on compliance matters, such as compliance with the regulatory requirements on clinical R&D, which is also monitored by our regulatory and quality assurance team. Under our whistle-blowing policy, we make our internal reporting channel open and available for our employees to report, on an anonymous basis, any non-compliance incidents and acts, including bribery and corruption. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings. We have also established anti-bribery guidelines and compliance requirements. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

We plan to provide our Directors, senior management, and relevant employees with continuous training programs and updates regarding the relevant PRC and U.S. laws and regulations regularly to proactively identify any concerns and issues relating to any potential non-compliance.

***Anti-bribery***

We maintain strict anti-corruption policies among our employees and distributors. We believe we will be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry. We strictly prohibit bribery or other improper payments in our business operations. This prohibition applies to all business activities, anywhere globally, whether involving government officials or healthcare professionals. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Requests for false invoices or payment of unusual, excessive or inadequately described expenses are rejected and promptly reported. Misleading, incomplete or false entries in our books and records are never acceptable. We will also ensure that future commercialization team personnel comply with applicable promotion and advertising requirements, including restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

### *Conflict of Interest and Non-Competition*

Our employee handbook clearly defines the scope of conflicts of interest, including supplier and customer relationships, hospitality and gifts, financial interests and personnel matters. Our employees, including but not limited to our Directors and R&D team members, may not accept monetary, financial or other benefits from business partners, suppliers, consultants and other partners, hold shares in business partners, suppliers, consultants and other partners, have employment relationships with business partners, suppliers, consultants and other partners, or have business transactions with enterprises owned, controlled, or managed by their family members or relatives. At the same time, employees shall keep confidential information strictly confidential and agree on the definition of confidential information, the content covered, the use of intellectual properties, including but not limited to any transfer of know-hows, acquisition of technologies, and potential breach liabilities.

Our CEO and key members of the R&D team have signed non-competition agreement with us, which prohibits employees from engaging in or directly or indirectly assisting any third party to engage in the same, similar and competitive business activities as our Company for a period of 12 or 24 months from the date of termination of employment. Any of our employees shall not, without prior written approval from our Company, own, manage, operate or control any other entity that competes with our Company.



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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

Upon Listing, our Board will consist of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Date of Joining the Group	Date of Appointment as a Director	Roles and Responsibilities
Ms. Zhang Lele (張樂樂)	45	Executive Director and CEO	September 1, 2019	May 12, 2020	Responsible for overall strategic planning, business direction, operational management, and supervision of the senior management of the Group
Mr. Huang Yuqing (黃雨青)	33	Executive Director and CFO	May 10, 2021	November 15, 2022	Responsible for overall strategic planning, investment and financing, mergers and acquisitions, capital markets and investor relations of the Group
Dr. Chen Lian Yong (陳連勇)	60	Non-executive Director and chairman of our Board	July 3, 2019	August 23, 2019	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Dr. Xie Qin (謝沁)	42	Non-executive Director	August 23, 2019	August 23, 2019	Responsible for providing strategic advice and recommendations on the operations and management of the Group

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of Joining the Group	Date of Appointment as a Director	Roles and Responsibilities
Mr. Huang Xiao (黃瀟)	38	Non-executive Director	August 26, 2020	August 26, 2020	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Ms. Yang Yunxia (楊雲霞)	49	Non-executive Director	August 26, 2020	August 26, 2020	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Mr. Chung Ming Kit (鍾明杰)	45	Independent non-executive Director	Listing Date	May 30, 2023	Responsible for supervising and providing independent advice on the operations and management of the Group
Mr. Tao Tak Yan Dennis (陶德仁)	46	Independent non-executive Director	Listing Date	May 30, 2023	Responsible for supervising and providing independent advice on the operations and management of the Group
Mr. Ye Xiaoxiang (葉曉翔)	48	Independent non-executive Director	Listing Date	May 30, 2023	Responsible for supervising providing independent advice on the operations and management of the Group

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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Ms. Zhang Lele (張樂樂)**, aged 45, is our founder. She was appointed as our Director on May 12, 2020 and was re-designated as our executive Director on November 15, 2022. Ms. Zhang has been serving as our CEO since September 1, 2019, and as the chief executive officer of Cutia Shanghai, Aurora Cutis and Cutia Wuxi since September 2019, November 2020 and December 2020 respectively. Ms. Zhang has been serving as a director of Cutia HK, Cutia Shanghai, Aurora Cutis, Cutia Wuxi and Chongqing Lehao since June 2020, November 2020, November 2020, December 2020 and November 2022 respectively. Ms. Zhang is responsible for overall strategic planning, business direction, operational management, and supervision of the senior management of the Group.

Ms. Zhang has worked in the pharmaceutical industry for approximately 20 years, accumulating a wealth of first-hand experience in the industry with a proven track record of success. Prior to joining the Group, Ms. Zhang served as an assistant business development manager at Shanghai Novartis Trading Co., Ltd (上海諾華貿易有限公司) from June 2008 to June 2011. She has worked in Eisai China Inc. (衛材(中國)藥業有限公司), which is wholly owned by Eisai Co., Ltd., a Japanese pharmaceutical company listed on the Tokyo Stock Exchange (stock code: 4523) as (i) the senior strategic alliance manager responsible for management of alliance products from September 2011 to October 2012, (ii) the vice president of management and development excellence department responsible for sales and marketing training and online promotion from November 2012 to August 2014, (iii) head of optimization and development department responsible for business development, sales and marketing training from September 2014 to February 2015, and (iv) the head of strategic alliances responsible for sales of products from strategic alliances from March 2015 to September 2016. From October 2016 to April 2019, she has served as the head of strategic projects department in Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司) where she was responsible for overall management.

Ms. Zhang obtained a bachelor's degree in pharmaceutical preparations from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2000, and a master's degree in pharmacology from Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in the PRC in July 2005.

**Mr. Huang Yuqing (黃雨青)**, aged 33, was appointed as our executive Director on November 15, 2022. Mr. Huang has been serving as our CFO since May 10, 2021. Mr. Huang is responsible for overall strategic planning, investment and financing, mergers and acquisitions, capital markets and investor relations of the Group.

Prior to joining the Group, Mr. Huang had served as the lead analyst for Greater China Healthcare Research at Jefferies Hong Kong Limited from February 2017 to March 2018. He was recognized as one of the Top Three Best Analysts in the healthcare industry by the Institutional Investor All-China Research Team Survey in 2017. From March 2018 to October 2019, he worked in Kintor Pharmaceutical Limited (開拓藥業有限公司), a clinical-stage novel

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## DIRECTORS AND SENIOR MANAGEMENT

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drug developing company listed on the Stock Exchange (stock code: 9939), as the chief financial officer and chief business officer. He had also worked at Harvest Global Investments Limited (嘉實國際資產管理有限公司), with his last position as an analyst from May 2020 to May 2021.

Mr. Huang obtained a bachelor's degree in communication studies from Fudan University (復旦大學) in the PRC in July 2014.

### Non-executive Directors

**Dr. Chen Lian Yong (陳連勇)**, aged 60, was appointed as our Director and the chairman of our Board on August 23, 2019, and was re-designated as our non-executive Director on November 15, 2022. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Dr. Chen has more than 20 years of experience in the life sciences and medical-related industries. He is currently the founding managing partner and chief executive officer of 6 Dimensions Capital (通和毓承), the private equity fund management company under which the Controlling Shareholders are managed. He has been the founder and managing partner of Frontline BioVentures (Hong Kong) Limited since 2012 and a partner at Eight Roads Capital Advisors (Hong Kong) Limited (formerly known as FIL Capital Management (Hong Kong) Limited) from May 2008 to March 2014, as well as an executive director and general manager of Frontline BioVentures (Shanghai) Limited (崇凱創業投資諮詢(上海)有限公司) since September 2013.

Dr. Chen was a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a veterinary biological product manufacturer listed on the Shanghai Stock Exchange (stock code: 603718), from December 2014 to April 2021, and he was a non-executive director of Hua Medicine (華領醫藥), a company primarily engaged in drug development business and listed on the Hong Kong Stock Exchange (stock code: 2552), from January 2015 to March 2022. He has been the chairman of Ocumension Therapeutics (歐康維視生物), a company primarily engaged in ophthalmic therapies and listed on the Hong Kong Stock Exchange (stock code: 1477), since May 2018 and was re-designated from executive director to non-executive director with effect from July 20, 2021. He was a non-executive director of CStone Pharmaceuticals (基石藥業), an immuno-oncology drugs and molecularly targeted drugs manufacturer listed on the Hong Kong Stock Exchange (stock code: 2616), from August 2018 to July 2021, and has been a director of 111, Inc. (111集團), an internet medical and health company listed on the Nasdaq Stock Market (stock code: YI), since May 2019. From February 2019 to July 2021, Dr. Chen served as a director in Brie Biosciences (Shanghai) Co., Ltd. (騰盛博藥醫藥技術(上海)有限公司), a subsidiary of Brie Biosciences Limited, a biotechnology company listed on the Hong Kong Stock Exchange (stock code: 2137).

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## DIRECTORS AND SENIOR MANAGEMENT

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Dr. Chen obtained a bachelor's degree in chemistry from Peking University (北京大學) in the PRC in July 1984. He obtained his Ph.D. in chemistry with grand distinction from the Catholic University of Louvain in Belgium in June 1991. He conducted postdoctoral research in chemistry at the Massachusetts Institute of Technology in the United States from August 1991 to December 1992.

**Dr. Xie Qin (謝沁)**, aged 42, was appointed as our Director on August 23, 2019, and was re-designated as our non-executive Director on November 15, 2022. She is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Dr. Xie has more than 10 years of experience in the pharmaceuticals-related industry. Prior to joining the Group, Dr. Xie has served as a senior investment manager in Shanghai Pharmaceuticals Holding Co. Ltd. (上海醫藥集團股份有限公司), a company primarily engaged in pharmaceutical industry and listed on both the Shanghai Stock Exchange (stock code: 601607) and the Hong Kong Stock Exchange (stock code: 2607), from November 2010 to December 2012. From September 2013 to December 2015, she had served as a business development manager in Huizheng (Shanghai) Pharmaceutical Technology Co., Ltd. (輝正(上海)醫藥科技有限公司), a subsidiary of Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司), a pharmaceutical company listed on the Shanghai Stock Exchange (stock code: 600267). From January 2016 to August 2017, she had served at 6 Dimensions Venture Consultant (Shanghai) Co., Ltd. (毓承投資諮詢(上海)有限公司). Since September 2017, she has worked in Frontline Bioventures (Shanghai) Limited (崇凱創業投資諮詢(上海)有限公司) with her current position as partner, primarily overseeing its overall strategic development.

Dr. Xie obtained a bachelor's degree in clinical medicine from the Xi'an Jiaotong University (西安交通大學) in the PRC in July 2003. She then received her master's degree in pharmacology and doctorate degree in pharmacology from University of Oxford in the United Kingdom in September 2004 and April 2011, respectively.

**Mr. Huang Xiao (黃瀟)**, aged 38, was appointed as our Director on August 26, 2020, and was re-designated as our non-executive Director on November 15, 2022. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Prior to joining the Group, Mr. Huang has been serving at YF Capital (雲鋒基金) with his current position as managing director since May 2015. He currently serves as a director in more than ten private companies, most of which are focusing on medical or technology industry, such as CBMG Holdings, Microport Cardiac Rhythm Management Limited, Sironax Ltd. and Livzon Biologics Limited.

Mr. Huang obtained a bachelor's degree in life science from Tsinghua University (清華大學) in the PRC in August 2007, and a doctor's degree in cell biology from Yale University in the United States in December 2012.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Yang Yunxia (楊雲霞)**, aged 49, was appointed as our Director on August 26, 2020, and was re-designated as our non-executive Director on November 15, 2022. She is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Ms. Yang is a partner of Sequoia Capital China. Prior to joining Sequoia Capital China in May 2015, Ms. Yang successively served as an investment manager and a vice president in Legend Capital Co., Ltd. (君聯資本管理股份有限公司) from April 2011 to May 2015. From December 2009 to April 2011, she worked in Johnson & Johnson, a company listed on the New York Stock Exchange (stock code: JNJ). Ms. Yang served as a director in Burning Rock Biotech Limited, a company listed on NASDAQ (stock code: BNR). From June 2019 to February 2021, Ms. Yang served as a director in Adagene Inc., a clinical-stage biotech company listed on NASDAQ (stock code: ADAG).

Ms. Yang obtained a master's degree in clinical science from Tongji Medical University (同濟醫科大學) (currently known as Tongji Medical College of Huazhong Technology University (華中科技大學)) in the PRC in July 1997, and a master's degree of business administration from Duke University in the United States in May 2009.

### Independent Non-executive Directors

**Mr. Chung Ming Kit (鍾明杰)**, aged 45, has been appointed as an independent non-executive Director with effect from the Listing Date. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

Mr. Chung has over 20 years of experience in finance, accounting and management. He served as an auditor at Deloitte Touche Tohmatsu (德勤會計事務所) from September 2001 to April 2006. From June 2006 to March 2008, he served as the financial executive manager of Tomoike Industrial (HK) Ltd. (香港友池有限公司), a subsidiary of CDW Holding Limited (CDW控股有限公司), a company listed on the Singapore Exchange Securities Trading Limited (stock code: BXE). He worked in China Medical Technologies Inc. (中國醫療技術公司), a company previously listed on Nasdaq Stock Market (stock code: CMED) and delisted on February 2012, from April 2008 to January 2012, with his last position held as the group financial controller. And he worked at I.T. Limited, a company previously listed on the Hong Kong Stock Exchange (stock code: 999) and delisted on April 2021 due to privatization, from April 2012 to January 2014, with his last position held as the financial controller. From January 2014 to July 2017, he served as the chief financial officer and company secretary in China Fordoo Holdings Limited (中國虎都控股有限公司) (currently known as China Anchu Energy Storage Group Limited (中國安儲能源集團有限公司)), a menswear company listed on the Hong Kong Stock Exchange (stock code: 2399). From July 2017 to July 2019, he worked at New World Department Store China Limited (新世界百貨中國有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 825), where his last position was the chief financial officer. From September 2020 to September 2022, he served as the financial controller in Arredamenti Company Limited, and has been a non-executive director in

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## DIRECTORS AND SENIOR MANAGEMENT

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Arredamenti Company Limited since September 2022. Since September 2022, he also has been a chief financial officer in Computime Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 320).

Mr. Chung obtained a bachelor's degree of business administration in accounting from Hong Kong University of Science and Technology in Hong Kong in November 2001. He obtained a certificate of membership from the Hong Kong Institute of Certified Public Accountants in January 2005 and then a fellow in October 2014. He was qualified as a chartered financial analyst in September 2008, granted by the Board of Governors of CFA Institute.

**Mr. Tao Tak Yan Dennis (陶德仁)**, aged 46, has been appointed as an independent non-executive Director with effect from the Listing Date. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

From March 2004 to August 2010, Mr. Tao worked at Morgan Stanley Asia Limited with his last position as the executive director in the research division. Mr. Tao has been serving as the principal of Anta Capital Management Limited, where he was responsible for asset allocation and risk managements for off-shore investments since August 2010. He has also been serving as the vice president and Head of Merger and Acquisition of ANTA Sports Products Limited, a leading global sportswear company which shares are listed on the Hong Kong Stock Exchange (stock code: 2020), where he is responsible for merger, acquisition and capital market affairs, since March 2016.

Mr. Tao obtained a bachelor's degree of arts from University of California, Berkeley in the United States in May 1998. He was qualified as a chartered financial analyst in September 2003, granted by the Board of Governors of CFA Institute.

**Mr. Ye Xiaoxiang (葉曉翔)**, aged 48, has been appointed as an independent non-executive Director with effect from the Listing Date. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

From October 2003 to March 2016, Mr. Ye held various positions at Eisai China Inc., a company wholly owned by Eisai Co., Ltd., a Japanese pharmaceutical company listed on the Tokyo Stock Exchange (stock code: 4523), including legal manager, senior director of the department of legal and compliance, and head of administration division, where he was mainly responsible for legal and compliance affairs. Since April 2016, Mr. Ye has been working in Eisai China Holding Ltd., a company wholly owned by Eisai Co., Ltd, where he served as a vice president and general counsel of China region.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ye obtained a bachelor's degree in engineering from Southwest Jiaotong University (西南交通大學) in the PRC in July 1996. He obtained a master's degree in law from Nankai University (南開大學) in the PRC in July 2003. He obtained the Certificate of National Legal Professional Qualification issued by the Ministry of Justice of the PRC in September 2002, and the Certificate of Patent Agent Qualification issued by the China National Intellectual Property Administration in March 2003.

### Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above and in this Prospectus, each of our Directors confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iii) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

### SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position	Date of Joining the Group	Date of Appointment as a member of senior management of the Group	Roles and Responsibilities
Ms. Zhang Lele (張樂樂)	45	Executive Director and CEO	September 1, 2019	September 1, 2019	Responsible for overall strategic planning, business direction, operational management, and supervision of the senior management of the Group



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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of Joining the Group	Date of Appointment as a member of senior management of the Group	Roles and Responsibilities
Mr. Huang Yuqing (黃雨青)	33	Executive Director and CFO	May 10, 2021	May 10, 2021	Responsible for overall strategic planning, investment and financing, mergers and acquisitions, capital markets and investor relations of the Group
Mr. Zhu Qi (朱琦)	50	Chief medical officer	September 9, 2019	September 9, 2019	Responsible for clinical operations, medical, pharmacovigilance, clinical pharmacology, statistics and data management, and medical support for product development and lifecycle management of the Group
Dr. Lei Lei (雷磊)	38	Senior vice president of research and development department	January 10, 2020	January 10, 2020	Responsible for the overall research and development work of the Group
Ms. Zhang Chunna (張春娜)	44	Senior vice president of regulatory affairs department	October 10, 2019	October 10, 2019	Responsible for the development and registration of the Company's products, the establishment and compliance management of product lines and research and development platforms of the Group

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of Joining the Group	Date of Appointment as a member of senior management of the Group	Roles and Responsibilities
Ms. Xu Jingxin (徐靜欣)	44	Senior vice president of manufacturing and quality control department	December 1, 2020	December 1, 2020	Responsible for the Company's quality management system and production operations, including the project management and daily management of the plant under construction in Wuxi, the PRC
Mr. Wu Jiaru (鄔佳儒)	39	Senior vice president of finance and integrated management department	August 5, 2019	August 5, 2019	Responsible for decision making and executive oversight of finance, information technology and procurement operations

**Ms. Zhang Lele (張樂樂)**, aged 45, is our founder, executive Director and CEO. For more details of her biography, see “– Directors – Executive Directors” above.

**Mr. Huang Yuqing (黃雨青)**, aged 33, is our executive Director and CFO. For more details of his biography, see “– Directors – Executive Directors” above.

**Mr. Zhu Qi (朱琦)**, aged 50, joined our Group on September 9, 2019 and has been serving as the chief medical officer of our Group since then. He is primarily responsible for clinical operations, medical, pharmacovigilance, clinical pharmacology, statistics and data management, and medical support for product development and lifecycle management of the Group.

Mr. Zhu has more than 20 years of experiences in the medical industry. Prior to joining our Group, Mr. Zhu worked in Shanghai Johnson & Johnson Pharmaceuticals Ltd. (上海強生製藥有限公司) from August 2001 to May 2005. He then worked in Shanghai Roche Pharmaceuticals Limited (上海羅氏製藥有限公司) from May 2005 to July 2006 and worked in Nanjing Organon Pharmaceutical Co., Ltd. Shanghai Branch (南京歐加農製藥有限公司上海分公司) from August 2006 to April 2007. From May 2007 to September 2010, Mr. Zhu worked in Baxter (China) Investment Co., Ltd. (百特(中國)投資有限公司), where he is responsible for medical affairs in Hong Kong and Mainland China. He then served as director of medical affair in Shandong Bausch & Lomb Freda Pharmaceutical Co., Ltd, a subsidiary of Bausch + Lomb Corporation, a company listed on the New York Stock Exchange (stock code: BLCO), and

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## DIRECTORS AND SENIOR MANAGEMENT

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Biogen Idec Pharmaceutical Consultancy (Shanghai) Company Limited (百健艾迪醫藥諮詢(上海)有限公司), from October 2010 to March 2013. From September 2013 to September 2015, he worked in AbbVie Pharmaceutical Trading (Shanghai) Co., Ltd. (艾伯維醫藥貿易(上海)有限公司) as a medical affair associate director. Mr. Zhu also served as a medical affair director in the Shanghai branch of Wyeth Pharmaceutical Co., Ltd. (惠氏製藥有限公司上海分公司) from September 2015 to January 2018 and in Menarini (China) Investment Co. (美納裏尼(中國)投資有限公司) from February 2018 to August 2019.

Mr. Zhu obtained a bachelor's degree in Chinese medicine and a master's degree in Chinese medicine Surgery from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in the PRC in July 1995 and July 2001, respectively. He also obtained a master's degree of business administration from the Joint MBA program of Shanghai University of Finance and Economics-Webster University (上海財經大學-美國韋伯斯特大學合作培養工商管理碩士項目) in the PRC in December 2005.

**Dr. Lei Lei (雷磊)**, aged 38, joined our Group on January 10, 2020 as the senior director of research and development department, and has been serving as the senior vice president of research and development department of our Group since September 2022. He is primarily responsible for the overall research and development work of the Group.

Dr. Lei has over 10 years of experiences in the development of medical/pharmaceutical products. Prior to joining the Group, Dr. Lei served as a senior product development engineer responsible for development of medical products in 3M Medical Devices and Materials Manufacturing (Shanghai) Co., Ltd (明尼蘇達礦業製造醫用器材(上海)有限公司) from October 2012 to January 2017. From January 2017 to January 2020, he worked as a senior scientist and then a principal scientist in Shanghai Johnson & Johnson Pharmaceuticals Ltd. (上海強生製藥有限公司).

Dr. Lei obtained a bachelor's degree in Pharmaceutical Engineering and master's degree in Biochemistry and Molecular Biology from Southwest Jiaotong University (西南交通大學) in the PRC in July 2006 and in December 2008, respectively. He also obtained a doctor's degree in Pharmaceutical Science from Shanghai Jiao Tong University (上海交通大學) in the PRC in January 2013. He has been a member of the Industrial Pharmaceutics Group of the Shanghai Pharmaceutical Society 2020 Pharmaceutics Special Committee (上海市藥學會2020藥劑學專委會工業藥劑學組) since June 2021.

**Ms. Zhang Chunna (張春娜)**, aged 44, joined our Group on October 10, 2019 as the vice president of regulatory affairs department, and has been serving as the senior vice president of regulatory affairs department our Group since September 2022. She is primarily responsible for the development and registration of the Company's products, the establishment and compliance management of product lines and research and development platforms of the Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Zhang has more than 15 years of experiences in the research and development pharmaceutical industry. Prior to joining the Group, Ms. Zhang served as an intermediate research and development staff in Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院有限公司) from April 2004 to March 2006. From April 2006 to December 2009, she served as a department director in Beijing Hanmi Pharmaceutical Co., Ltd. (北京韓美藥品有限公司) where she was mainly responsible for development and manufacture of new drugs. From January 2010 to November 2010 and from November 2010 to October 2019, she served as a manager of product development department in Senju Pharmaceutical Co., Ltd Beijing Office (日本千壽製藥株式會社北京代表處) and Senju Pharmaceutical Science & Technology (Beijing) Co., Ltd. (千壽製藥科技(北京)有限公司), where she was mainly responsible for product development and regulatory affairs.

Ms. Zhang obtained a bachelor's degree with a major in pharmacy (Japanese) from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2001, and a master's degree of medicine from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2004.

**Ms. Xu Jingxin (徐靜欣)**, aged 44, joined our Group as vice president of manufacturing and quality control department on December 1, 2020 and has been serving as the senior vice president of manufacturing and quality control department of our Group since January 2022. She is primarily responsible for the management of the Company's quality management system and production operations, including the project management and daily management of the plant under construction in Wuxi, the PRC.

Ms. Xu has more than 20 years of experiences in quality management of medical products. Prior to joining the Group, Ms. Xu worked in Pfizer Pharmaceutical (Wuxi) Co., Ltd. (輝瑞製藥(無錫)有限公司), a subsidiary of Pfizer Inc., a company listed on the New York Stock Exchange (Stock Code: PFE), with her last position as a quality assurance manager from July 2001 to April 2010. She then served as various positions responsible for policy and strategy planning for quality improvement in Wuxi plant of AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康製藥有限公司), a subsidiary of AstraZeneca plc, listed on London Stock Exchange (stock code: ZAN), from April 2010 to September 2018. She then served as a quality manager responsible for policy and strategy planning for quality improvement in Japanese Yonehara plant of AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康製藥有限公司) from September 2018 to February 2019. From February 2019 to November 2020, she also worked in BeiGene (Suzhou) Co., Ltd. (百濟神州(蘇州)生物科技有限公司) (currently known as SuGene Pharmaceuticals (Suzhou) Co., Ltd.), a subsidiary of BeiGene, Ltd. listed on the Stock Exchange (stock code: 6160), the NASDAQ (stock code: BGNE) and the Shanghai Stock Exchange (stock code: 688235) where she first served as a director of excellent quality operations management in China and then a quality manager.

Ms. Xu obtained a bachelor's degree with a major in pharmacy (Japanese) from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2001.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Wu Jiaru** (鄔佳儒), aged 39, joined our Group on August 5, 2019 as the finance manager, and has been serving as the senior vice president of finance and integrated management department of our Group since November 1, 2022. He has served as a supervisor of Aurora Cutis from November 2020 to April 2021. He is primarily responsible for decision making and executive oversight of finance, information technology and procurement operations.

Prior to joining the Group, Mr. Wu served as a senior system controller in Giti Tire (China) Investment Company Ltd. (佳通輪胎(中國)投資有限公司), where he was mainly responsible for improvement and execution of financial policy, from October 2013 to February 2019. From February 2019 to July 2019, he served as a reporting expert in KaVo-Sybron Dental (Shanghai) Co. Ltd. (卡瓦盛邦(上海)牙科醫療器械有限公司) where he was mainly responsible for analysis of financials as well as improvement and execution of financial system and operation process.

Mr. Wu obtained a bachelor's degree in accounting from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2008. He was qualified as US Certified Public Accountant by Guam Board of Accountancy in March 2019.

### COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷) has been appointed as the company secretary of the Company on November 15, 2022. Ms. Chan currently serves as an associate director of the corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Chan has over 16 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Chan 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. Ms. Chan holds a bachelor of laws degree from the University of London.

### CORPORATE GOVERNANCE

#### Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The audit committee of the Company comprises three members, namely Mr. Chung Ming Kit (鍾明杰), Mr. Ye Xiaoxiang (葉曉翔) and Mr. Tao Tak Yan Dennis (陶德仁), with Mr. Chung Ming Kit (鍾明杰) being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management

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## DIRECTORS AND SENIOR MANAGEMENT

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expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules) as chairman of the audit committee. The primary duties of the Company's audit committee are, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

### **Remuneration committee**

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The remuneration committee of the Company comprises three members, namely Mr. Ye Xiaoxiang (葉曉翔), Dr. Chen Lian Yong (陳連勇) and Mr. Chung Ming Kit (鍾明杰), with Mr. Ye Xiaoxiang (葉曉翔) as chairman of the remuneration committee. The primary duties of the Company's remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

### **Nomination committee**

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The nomination committee of the Company comprises three members, namely Dr. Chen Lian Yong (陳連勇), Mr. Tao Tak Yan Dennis (陶德仁) and Mr. Chung Ming Kit (鍾明杰), with Dr. Chen Lian Yong (陳連勇) as chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

### **Board diversity**

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

Our Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, educational background, industry experience and professional experience. Our Directors have balanced mix of gender, knowledge, skills and experiences, including management, strategic planning, law, finance, investment, healthcare and technology industries. They obtained degrees in various areas such as biology, medicine, pharmacology, business administration, engineering, law, and accounting. We have also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Upon Listing, our Board comprises six male members and three female members, and we expect to maintain such gender ratio at the Board level going forward. After Listing, the nomination committee will revisit the

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## DIRECTORS AND SENIOR MANAGEMENT

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board diversity policy and monitor its implementation from time to time. Our nomination committee will also use their best efforts to identify and recommend suitable female candidates for the Board's consideration in the future to ensure that gender diversity can be maintained. With reference to our board diversity policy, we will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

### **Corporate Governance Code**

We aim to achieve high standard of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

### **KEY TERMS OF EMPLOYMENT CONTRACTS**

We normally enter into (i) an employment contract and (ii) a non-competition agreement with our key management members and technical personnel. We normally enter into an employment contract with our key management members and technical personnel with a term of one year. Below sets forth the key terms of these contracts we enter into with our key management members and technical personnel.

#### **Confidentiality**

**Scope of confidential information:** Information the employee shall keep confidential includes but is not limited to: products, technical, business and operational information of the Group, or any of its suppliers or customers, and any other confidential information owned by any other third parties to whom our Group owes confidentiality obligations, that the employee may produce, obtain or otherwise acquire or have access to during the course of his employment by the Company but have not yet gone into public.

**Confidential obligation:** The employee (i) shall keep confidential information in confidence, and take reasonable and good faith precautions to prevent any unauthorized use or disclosure of the confidential information; (ii) without our Group's written consent, shall not keep any forms of carriers that record the confidential information, and ought to return all our Group's property, including but not limited to any forms of carriers, to our Group upon the departure of the employee or our Group's request.

**Confidential period:** The confidentiality obligation shall continue to be in effect during the course of employment and after the departure of the employee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Ownership of intellectual work products

**Acknowledgment:** The employee acknowledges and agrees that our Group shall own (i) all sorts of intellectual work products that the employee produces during the course of his or her employment with our Group; (ii) all sorts of intellectual work products related to our Group's business and products that the employee produces by mainly using the working conditions, confidential information and/or any other preferential conditions provided by our Group; and (iii) any invention or creation that the employee produces within one year after his or her departure from our Group, provided that the work products relate to any task assigned to the employee or are otherwise within the employee's scope of work.

### Non-competition

**Term and Scope:** The non-competition obligation is effective during the course of employment and for a period of two (2) years thereafter. The employee shall bear the non-competition obligation him or her self, and cause and procure his or her affiliates (including but not limited to, his or her spouse, children, brothers and sisters, parents, relatives by law, grandparents, grandchildren, uncles, aunts and cousins) to also keep non-competition obligation.

**Non-competition obligation:** The employee shall not, and shall cause and procure that his/her affiliates shall not, without the prior written consent of the Company, directly or indirectly, carry on or be in any way interested in any and all business worldwide, which competes or proposes to compete with the Group's business, whether (i) in the capacity of sole proprietorship, shareholding, investing, partnership, licensors or in any other way; (ii) by acting as a consultant (or provide consultancy service or similar service), employee or officer in any capacity in such business or providing technical, commercial or professional advice to such business; (iii) by supplying any product or service of the same type as or similar to or competitive with any product or service supplied by the Group to any person who is a customer of the Group; or (iv) by manufacturing, marketing, selling and distributing products worldwide that are identical to or compete with any products of such business, or in any way compete with the Group.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf and share-based payment. Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.



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## DIRECTORS AND SENIOR MANAGEMENT

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The aggregate amount of remuneration to our Directors for the year ended December 31, 2021 and 2022 were RMB27.0 million and RMB23.2 million, respectively. It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB66.5 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this Prospectus.

### COMPETITION

As of the Latest Practicable Date, Dr. Chen Lian Yong (陳連勇), as disclosed in his biography included in this section, held directorships and/or management roles in 6 Dimensions Capital and its affiliated entities. Dr. Chen is bound by confidentiality undertakings included in the director service contract he entered into with the Company to, among others, not divulge confidential information of the Group to any third parties, abide by his fiduciary duties to avoid conflict of interests in discharging his duties as non-executive Director, and to comply with applicable provisions in the Articles and the Listing Rules, including but not limited to abstaining from voting in meetings of the Board in connection with matters where there could be material conflicts of interests. Considering that Dr. Chen does not serve executive roles and is not involved in the daily investment management of either the Group or companies invested by 6 Dimensions Capital or its affiliated entities, the Company is of the view that such measures are effective and adequate for managing any potential conflicts of interest with regards to Dr. Chen's involvement in 6 Dimensions Capital and its affiliated entities. As of the Latest Practicable Date, none of the other Directors have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

The aggregate amount of remuneration to our five highest paid individuals (including Director and chief executive) for the year ended December 31, 2021 and 2022 were RMB42.8 million and RMB53.8 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group; (ii) no compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments.

For more details on remuneration of our Directors and the highest paid individuals, see Notes 9 and 10 to the Accountants' Report.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the Listing Date and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

Substantial Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held as of the Latest Practicable Date	Approximate percentage of interest in our Company on the Latest Practicable Date (%)	Approximate percentage of interest in our Company upon completion of the Global Offering (%)
6 Dimensions LP <sup>(3)</sup>	Beneficial owner	12,354,342	21.85	20.32
6 Dimensions Affiliates <sup>(3)</sup>	Beneficial owner	650,229	1.15	1.07
6 Dimensions Capital GP, LLC <sup>(3)</sup>	Interest in controlled corporation	13,004,571	23.00	21.39
Suzhou 6 Dimensions <sup>(1)</sup>	Beneficial owner	12,103,200	21.40	19.90
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) (“Tongyu Investment”) <sup>(1)</sup>	Interest in controlled corporation	12,103,200	21.40	19.90
Suzhou Frontline II <sup>(1)</sup>	Beneficial owner	5,187,085	9.17	8.53
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) (“Fuyan VC”) <sup>(1)</sup>	Interest in controlled corporation	5,187,085	9.17	8.53
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) (“Yunchang Investment”) <sup>(1)</sup>	Interest in controlled corporation	17,290,285	30.57	28.43
Mr. Chen Ziqing <sup>(1)</sup>	Interest in controlled corporation	17,290,285	30.57	28.43
Aurora Cutis Limited <sup>(2)</sup>	Beneficial owner	10,797,978	19.15	17.76

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held as of the Latest Practicable Date	Approximate percentage of interest in our Company on the Latest Practicable Date (%)	Approximate percentage of interest in our Company upon completion of the Global Offering (%)
Futu Trustee Limited <sup>(2)</sup>	Interest in controlled corporation	10,797,978	19.15	17.76
YF Dermatology Limited <sup>(4)</sup>	Beneficial owner	8,000,000	14.15	13.16
Yunfeng Fund III, L.P. ("Yunfeng LP") <sup>(4)</sup>	Interest in controlled corporation	8,000,000	14.15	13.16
Yunfeng Investment III, Ltd. ("Yunfeng GP") <sup>(4)</sup>	Interest in controlled corporation	8,000,000	14.15	13.16
Yunfeng Capital Limited ("Yunfeng Capital") <sup>(4)</sup>	Interest in controlled corporation	8,000,000	14.15	13.16
Mr. Yu Feng <sup>(4)</sup>	Interest in controlled corporation	8,000,000	14.15	13.16
SCC Growth V 2020-C, L.P. ("Sequoia Capital China Growth") <sup>(5)</sup>	Beneficial owner	6,857,143	12.13	11.28
SC China Growth V Management, L.P. ("SCC Growth V") <sup>(5)</sup>	Interest in controlled corporation	6,857,143	12.13	11.28
SC China Holding Limited ("SC China") <sup>(5)</sup>	Interest in controlled corporation	6,857,143	12.13	11.28
SNP China Enterprises Limited <sup>(5)</sup>	Interest in controlled corporation	6,857,143	12.13	11.28
Mr. Neil Nanpeng Shen <sup>(5)</sup>	Interest in controlled corporation	6,857,143	12.13	11.28
Fidelity China Special Situations PLC <sup>(6)</sup>	Beneficial owner	1,077,459	1.91	1.77
Fidelity Funds <sup>(6)</sup>	Beneficial owner	3,349,849	5.92	5.51
Fidelity Investment Funds <sup>(6)</sup>	Beneficial owner	118,491	0.21	0.19
FIL Investment Management (Hong Kong) Limited <sup>(6)</sup>	Interest in controlled corporation	4,545,799	8.04	7.47
FIL Limited <sup>(6)</sup>	Interest in controlled corporation	4,545,799	8.04	7.47
Pandanus Partners L.P. <sup>(6)</sup>	Interest in controlled corporation	4,545,799	8.04	7.47
Pandanus Associates Inc. <sup>(6)</sup>	Interest in controlled corporation	4,545,799	8.04	7.47

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- Suzhou 6 Dimensions is a limited partnership whose general partner is Tongyu Investment. As such, under the SFO, Tongyu Investment is deemed to be interested in the Shares held by Suzhou 6 Dimensions.

Suzhou Frontline II is a limited partnership whose general partner is Fuyan VC. As such, under the SFO, Fuyan VC is deemed to be interested in the Shares held by Suzhou Frontline II.

Tongyu Investment and Fuyan VC are limited partnerships whose general partner is Yunchang Investment, which is wholly-owned by Mr. Chen Ziqing. As such, under the SFO, each of Yunchang Investment and Mr. Chen Ziqing is deemed to be interested in the Shares held by Suzhou 6 Dimensions and Suzhou Frontline II.
- Upon exercise of the options and delivery of the share awards granted under the Pre-IPO Equity Incentive Plan, a total of 10,797,978 Shares (to be adjusted to 53,989,890 Shares upon the completion of Share Subdivision) under the options and share awards granted under the Pre-IPO Equity Incentive Plan will be issued to Aurora Cutis Limited, a company incorporated in BVI and wholly owned by Futu Trustee Limited (the “**Trustee**”), the trustee of Aurora Cutis Employee Trust (the “**Trust**”), the trust set up by the Company to facilitate the administration of the Pre-IPO Equity Incentive Plan. Pursuant to the trust deed of the Trust, all options and share awards will be held by Aurora Cutis Limited and administered under the Trust by the Trustee, solely for the benefit of the identified grantees under the Pre-IPO Equity Incentive Plan. By virtue of the SFO, Futu Trustee Limited is deemed to be interested in the options and share awards held by Aurora Cutis Limited.
- 6 Dimensions LP and 6 Dimensions Affiliates are limited partnerships whose general partner is 6 Dimensions Capital GP, LLC. As such, under the SFO, 6 Dimensions Capital GP, LLC is deemed to be interested in Shares held by 6 Dimensions LP and 6 Dimensions Affiliates.
- YF Dermatology Limited is a private company controlled by Yunfeng LP, whose general partner is Yunfeng GP. Yunfeng GP is solely managed by Yunfeng Capital, which in turn is ultimately controlled by Mr. Yu Feng. As such, under the SFO, each of Yunfeng LP, Yunfeng GP, Yunfeng Capital and Mr. Yu Feng is deemed to be interested in the Shares held by YF Dermatology Limited.
- The general partner of Sequoia Capital China Growth is SCC Growth V whose general partner is SC China. SC China is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. As such, under the SFO, each of SCC Growth V, SC China, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is deemed to be interested in the Shares held by Sequoia Capital China Growth.
- Fidelity China Special Situations PLC, Fidelity Investment Funds and Fidelity Funds, are advised or sub-advised by FIL Investment Management (Hong Kong) Limited, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. As such, under the SFO, each of FIL Investment Management (Hong Kong) Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc is deemed to be interested in Shares held by Fidelity China Special Situations PLC, Fidelity Funds and Fidelity Investment Funds.

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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid immediately following completion of the Global Offering.

As of the Latest Practicable Date, our authorized share capital was US\$50,000 divided into 500,000,000 Shares, consisting of (i) 459,460,609 ordinary Shares, (ii) 10,000,000 Series A-1 Preferred Shares, (iii) 4,285,714 Series A-2 Preferred Shares, (iv) 20,571,428 Series B Preferred Shares, and (v) 5,682,249 Series C Preferred Shares, of a par value of US\$0.0001 each.

Upon the completion of Share Subdivision, our authorized share capital will be US\$50,000 divided into 2,500,000,000 Shares, consisting of (i) 2,297,303,045 ordinary Shares, (ii) 50,000,000 Series A-1 Preferred Shares, (iii) 21,428,570 Series A-2 Preferred Shares, (iv) 102,857,140 Series B Preferred Shares, and (v) 28,411,245 Series C Preferred Shares, of a par value of US\$0.00002 each. The total number of Shares in issue upon the completion of the Share Subdivision is 282,742,665 Shares.

As of the Latest Practicable Date, our issued share capital consisted of (i) 16,009,142 ordinary Shares, (ii) 10,000,000 Series A-1 Preferred Shares, (iii) 4,285,714 Series A-2 Preferred Shares, (iv) 20,571,428 Series B Preferred Shares, and (v) 5,682,249 Series C Preferred Shares, of a par value of US\$0.0001 each.

Each of the Preferred Shares will be converted into Shares on a one-to-one basis by way of re-designation and re-classification upon Listing.

Assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan, the share capital of our Company immediately after the Global Offering will be as follows:

<b>Description of Shares</b>	<b>Number of Shares</b>	<b>Aggregate nominal value of Shares (US\$)</b>
Shares in issue (including the Shares on re-designation of the Preferred Shares)	282,742,665	5,654.8533
Shares to be issued under the Global Offering	<u>21,281,800</u>	<u>425.6360</u>
<b>Total</b>	<b><u>304,024,465</u></b>	<b><u>6,080.4893</u></b>

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## SHARE CAPITAL

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Assuming the Over-allotment Option is exercised in full and no further Shares are issued under the Pre-IPO Equity Incentive Plan, the share capital of our Company upon completion of the Global Offering will be as follows:

<b>Description of Shares</b>	<b>Number of Shares</b>	<b>Aggregate nominal value of Shares (US\$)</b>
Shares in issue (including the Shares on re-designation of the Preferred Shares)	282,742,665	5,654.8533
Shares to be issued under the Global Offering	21,281,800	425.6360
Shares to be issued pursuant to the Over-allotment Option	<u>3,192,200</u>	<u>63.8440</u>
<b>Total</b>	<b><u>307,216,665</u></b>	<b><u>6,144.3333</u></b>

### ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional, that the issue of Shares pursuant to the Global Offering are made, and that the Share Subdivision takes place as described above. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

### RANKING

The Offer Shares are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the Global Offering) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

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## SHARE CAPITAL

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### POTENTIAL CHANGES TO SHARE CAPITAL

#### Circumstances Under which General Meetings are Required

Our Company has only one class of Shares, namely ordinary Shares, each of which carries the same rights as the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) subdivide its Shares into shares of smaller amount; (iv) cancel any shares which have not been taken; (v) make provision for the allotment and issue of shares; (vi) change the currency of denomination of share capital; and (vii) reduce its share premium account. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For more details, see “Summary of the Constitution of Our Company and Cayman Companies Act – Articles of Association – Shares – Alteration of Capital” in Appendix III.

#### General Mandate to Issue Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (b) the total number of Shares repurchased by our Company pursuant to the authority referred to in the sub-section headed “Potential Changes to Share Capital – General mandate to repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and
- (c) the passing of an ordinary resolution by Shareholders in a general meeting revoking or varying the authority.



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## SHARE CAPITAL

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### General Mandate to Repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- (c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and General Information – Further Information About Our Company – Restrictions on Repurchase of Our Own Securities” in Appendix IV to this Prospectus for more details on the general mandates to issue and repurchase Shares.

### EQUITY INCENTIVE PLANS

We have adopted the Pre-IPO Equity Incentive Plan and the Post-IPO Equity Incentive Plan, the principal terms of which are summarized in the paragraphs headed “Statutory and General Information – Further Information about Our Company – Equity Incentive Plans” in Appendix IV.

The total number of Shares to be issued under the Pre-IPO Equity Incentive Plan shall not exceed 13,961,829 Shares (to be adjusted to 69,809,145 Shares upon the completion of Share Subdivision), representing approximately 24.69% and 22.96% in the total issued Shares of our Company as of the Latest Practicable Date and upon Listing (assuming the Over-allotment option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan), respectively. The aggregate number of Shares underlying the Post-IPO Equity Incentive Plan will not exceed 10% of the total number of issued Shares as of the Listing Date (excluding any Shares which may be issued pursuant to exercise of the Over-allotment Options) without Shareholders’ approval, being 30,402,446 Shares.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Prospectus.*

*For the purpose of this section, unless the context otherwise requires, references to 2021 and 2022 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. As of the Latest Practicable Date, we had built a broad portfolio of nine products and product candidates, targeting the four main sectors of the broader dermatology treatment and care market, namely localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. We are developing five clinical-stage and four pre-clinical-stage drug candidates. Among the five clinical-stage drug candidates, two products have commenced pilot commercialization in Lecheng, Hainan. We also distributed two commercialized products developed by oversea collaboration partners.

### BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which includes all standards and interpretations issued by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period.

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## FINANCIAL INFORMATION

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The historical financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the reporting period.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. The following are the principal factors that have affected, and we expect will continue to affect, our business, financial condition, results of operations and prospects.

#### **Our Ability to Successfully Develop and Commercialize Our Product Candidates**

Our business and results of operations depend on our ability to successfully develop our drug candidates. As of the Latest Practicable Date, we had built a broad portfolio of nine products and product candidates, targeting the four main sectors of the broader dermatology treatment and care market, namely localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. Our business and results of operations depend on our drug candidates demonstrating favorable safety and efficacy clinical trial results, and our ability to obtain the requisite regulatory approvals for our drug candidates to initiate clinical trials, or to advance to the next stage of clinical development. Whether our drug candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our drug candidates in time, are crucial for our business and results of operations.

Our business and results of operations also depend on our ability to commercialize our drug candidates. Our ability to generate revenue from our drug candidates is dependent on our ability to obtain regulatory approvals, establish manufacturing capabilities and sales channels, and undertake extensive sales and marketing efforts. The commercialization may require significant marketing efforts before we generate any revenue from product sales. We have adopted a well-tailored commercialization strategy to penetrate the broader dermatology treatment and care market in China. We believe that our commercialization capabilities will continue to be robust driven by our deep expertise in sales and marketing, close collaboration with e-commerce platforms, and sales and distribution network. However, if we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected.

#### **Our Cost Structure**

Our results of operations and financial conditions are significantly affected by our cost structure, which primarily consists of R&D costs, administrative expenses and selling and distribution expenses.

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## FINANCIAL INFORMATION

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Since our inception, we have focused our resources on our R&D activities, particularly as we advance the clinical development of our clinical assets, continue R&D of our pre-clinical assets and initiate additional clinical trials of, and seek regulatory approvals for, these and other future drug candidates.

R&D activities are central to our business. Our R&D costs primarily consist of staff costs, share-based payment expenses, acquisition/licensing-in expenses, third-party contracting costs, depreciation and amortization and others. At this time, it is difficult to estimate or know for certain, the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our drug candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our drug candidates. This is due to the numerous risks and uncertainties associated with developing and commercializing such drug candidates. We expect R&D costs to increase for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our drug candidates and as we initiate additional clinical trials on these drug candidates.

Our selling and distribution expenses primarily consist of staff costs, share-based payment expenses, marketing expenses and others. Given our robust pipeline, especially our two products at commercial stage and another two product candidates at the pilot commercial stage, we are in the process of expanding our sales and marketing team in anticipation of current products and potential product launches in the coming years.

Our administrative expenses primarily consist of staff costs, share-based payment expenses, consulting fees, depreciation and amortization and others. We also expect our administrative expenses to increase in future periods to support our products and development efforts and support any commercialization activities with respect to our drug candidates. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

### **Funding for Our Operations**

During the Track Record Period, we funded our operations primarily through equity financing. Going forward, as our products achieve greater recognition and adoption by physicians and hospitals, and our product candidates successfully receive regulatory approvals and commence commercialization, we expect to fund our operations at least in part with revenue generated from sales of our commercialized products. However, with the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

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## FINANCIAL INFORMATION

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### SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not materially changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this Prospectus.

#### **Revenue Recognition**

##### *Revenue from Contracts with Customers*

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the

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## FINANCIAL INFORMATION

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effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

### *Sale of Products*

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products to the specific location and upon the confirmation by the customer.

### *Right of Return*

For contracts which provide a customer with a right to return the products within a specific period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which we will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

### *Other Income*

Bank interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### **Research and Development Costs**

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Project development expenditure which does not meet these criteria is expensed when incurred. During the Track Record Period, all expenses incurred for R&D activities were expensed when incurred.

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## FINANCIAL INFORMATION

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### Fair Value Measurement

We measure certain financial instruments at fair value at the end of each of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and maximizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the historical financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the historical financial information on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting period.

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## FINANCIAL INFORMATION

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During the Track Record Period, we had certain financial liabilities categorized within Level 3 fair value measurement, which included the convertible redeemable preferred shares measured at fair value through profit or loss (“FVTPL”). Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, are disclosed in Note 29 of the Accountants’ Report set out in Appendix I to this Prospectus.

In relation to the valuation of the Level 3 financial liabilities, with reference to the “Guidance note on directors’ duties in the context of valuations in corporate transactions” issued by the SFC, our Directors have adopted the following procedures: (i) reviewing the terms of the relevant agreements and documents regarding the financial liabilities; (ii) engaging an independent valuer to perform valuation procedures with necessary financial and non-financial information and discussing with the valuer on the relevant assumptions; (iii) obtaining sufficient understanding of the valuation model, methodologies and techniques on which the valuation is based; and (iv) reviewing the valuation works and results and the financial statements prepared in accordance with IFRS. Based on the above procedures, our Directors are of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. In addition, our Directors are satisfied with the valuation work for the Level 3 financial liabilities performed during the Track Record Period.

The reporting accountants’ opinion on the Historical Financial Information, as a whole, of our Group for the Track Record Period is set out on page I-2 of Appendix I to this Prospectus.

In relation to the fair value assessment of the financial liabilities requiring level 3 measurements under the fair value classification, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) obtaining and reviewing the terms of the relevant agreements and documents regarding the financial liabilities; (ii) considering the qualification, independence and credentials of the independent valuer engaged by the Company; (iii) discussing with the independent valuer regarding the assumptions, valuation techniques and methodologies applied to determine the valuation; (iv) discussing with the Company to understand its preparation of the underlying information used in the valuation of the level 3 financial liabilities of the Group and the Company’s views on the fairness and reasonableness of the assumptions, basis and approaches of the valuation so conducted; (v) discussing with the reporting accountant in respect of audit procedures conducted regarding the valuation in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” and discussing with the reporting accountant about the relevant accounting treatments; and (vi) reviewing the relevant notes in the Accountant’s Report as contained in Appendix I to this Prospectus and the reporting accountant’s opinion on the historical financial information as a whole for the Track Record Period. Based upon the due diligence work



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## FINANCIAL INFORMATION

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conducted by the Sole Sponsor as stated above, and having considered the views of the Directors and the reporting accountant, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation work performed by the independent valuer and the Company.

### **Share-Based Payments**

We operate an equity incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

We recognize the cost of equity-settled transactions in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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## FINANCIAL INFORMATION

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### Investments and Other Financial Assets

#### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" above.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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## FINANCIAL INFORMATION

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### *Subsequent Measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial Assets at Amortized Cost (Debt Instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

#### *Financial Assets at FVTPL*

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at FVTPL are also recognized as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

### **Financial Liabilities**

#### *Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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## FINANCIAL INFORMATION

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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade and other payables and convertible redeemable preferred shares.

### *Subsequent Measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial Liabilities at FVTPL*

Financial liabilities at FVTPL include convertible redeemable preferred shares which are designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities. Details of our convertible redeemable preferred shares as at FVTPL are included in Note 21 to the Accountants' Report in Appendix I to this Prospectus.

#### *Financial Liabilities at Amortized Cost*

After initial recognition, financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

### **Leases**

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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## FINANCIAL INFORMATION

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### *Group as a Lessee*

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *(a) Right-of-use Assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	12 years
Office premises	1.5 to 6 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### *(b) Lease Liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects us exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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Our lease liabilities are presented in a separate line on the consolidated statements of financial position.

*(c) Short-term Leases and Leases of Low-value Assets*

We apply the short-term lease recognition exemption to our short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

### **Significant Accounting Judgements and Estimates**

#### ***Research and Development Costs***

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are capitalized and deferred in accordance with the accounting policy for research and development costs in Note 2.3 to the Accountants' Report in Appendix I to this Prospectus. Determining the amounts to be capitalized requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialized and bring economic benefits to us.

#### ***Accrual of Research and Development Costs***

We rely on contract research organizations, clinical site management operators, and clinical trial centres (collectively referred as "Outsourced Service Providers") to conduct, supervise, and monitor our ongoing clinical trials in the PRC. Determining the amounts of research and development costs incurred up to the end of each of the reporting period requires the management to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrollments, time elapsed and milestone achieved.

#### ***Fair Value of Convertible Redeemable Preferred Shares***

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires us to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability and volatility, which are subject to uncertainty.

The fair values of convertible redeemable preferred shares as of the end of each of the reporting period were RMB2,242,924,000 and RMB2,570,021,000, respectively. For more details, see Note 21 to the Accountants' Report in Appendix I to this Prospectus.

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### *Fair Value of Share-based Payment Transactions*

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date, we use a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24 to the Accountants' Report in Appendix I to this Prospectus.

### **DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Revenue	2,038	11,366
Cost of sales	(428)	(3,428)
	<hr/>	<hr/>
Gross profit	1,610	7,938
Other income and gains	9,517	105,696
Selling and distribution expenses	(6,292)	(35,934)
Research and development costs	(110,558)	(180,756)
Administrative expenses	(64,745)	(100,452)
Fair value losses on convertible redeemable preferred shares	(120,330)	(327,097)
Other expenses	(28,224)	–
Finance costs	(559)	(1,728)
Listing expenses	–	(23,503)
	<hr/>	<hr/>
<b>Loss and total comprehensive loss for the year</b>	<b>(319,581)</b>	<b>(555,836)</b>
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Owners of the parent	(319,581)	(555,836)
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## FINANCIAL INFORMATION

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### Revenue

During the Track Record Period, substantially all of our revenue was generated from the sale of our in-licensed and distributed scalp diseases and care products (CU-40102, CUP-MNDE and CUP-SFJH), skin diseases and care products (CU-10201), and certain skin care products, including facial masks, creams, toners, sprays, serums and gels (“Routine Skin Care Products”). The table below summarizes a breakdown of our revenue by products for the periods indicated:

	Year ended December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Scalp diseases and care products	381	9,298
Skin diseases and care products	–	23
Routine Skin Care Products	1,657	2,045
	<u>2,038</u>	<u>11,366</u>

We expect to continue to generate most of our revenue from such sources and expand our revenue sources upon the commercialization of our products and product candidates. In 2021 and 2022, we recorded revenue of RMB2.0 million and RMB11.4 million, respectively. During the Track Record Period, all of our revenue was derived from customers located in Greater China.

### Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of purchase costs and logistics costs related to our scalp diseases and care products and skin diseases and care products and Routine Skin Care Products.

### Gross Profit and Gross Profit Margin

Gross profit represents our revenue less our cost of sales. Gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB1.6 million and RMB7.9 million in 2021 and 2022, respectively. Our gross profit margin reached 79.0% and 69.8% during the same periods, respectively.



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## FINANCIAL INFORMATION

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### Other Income and Gains

During the Track Record Period, our other income primarily consisted of interest income and government grants. The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for operating activities. Our interest income comprises (i) bank interest income and (ii) deemed interest income from loans to employees and related parties. In 2021 and 2022, we recorded other income of RMB9.4 million and RMB24.0 million, respectively.

During the Track Record Period, our gains primarily consisted of net foreign exchange gains which is in connection with our cash and cash equivalents and time deposits over three months denominated in the U.S. dollars, as a result of the appreciation of the U.S. dollar against RMB, gain on termination of a lease contract and fair value gains on financial assets at FVTPL. In 2021 and 2022, we recorded gains of RMB0.2 million and RMB81.7 million, respectively. The following table summarizes a breakdown of our other income and gains in absolute amounts for the periods indicated:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
<b>Other income</b>		
Government grants	3,185	6,252
Bank interest income	6,081	16,447
Imputed interest income on rental and other deposits	–	26
Deemed interest income from loans to employees	3	166
Deemed interest income from loans to related parties	29	732
Others	62	419
	<u>9,360</u>	<u>24,042</u>
<b>Gains</b>		
Foreign exchange gains, net	–	73,979
Gain on termination of a lease contract	157	–
Fair value gains on financial assets at FVTPL	–	7,675
	<u>157</u>	<u>81,654</u>
	<u>9,517</u>	<u>105,696</u>

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## FINANCIAL INFORMATION

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### Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses consisted of staff costs, share-based payment expenses, marketing expenses and others. In 2021 and 2022, our selling and distribution expenses amounted to RMB6.3 million and RMB35.9 million, respectively. The following table sets forth a breakdown of our selling and distribution expenses in absolute amounts and as percentages of the total selling and distribution expenses for the periods indicated:

	<b>Year ended December 31,</b>			
	<b>2021</b>		<b>2022</b>	
	<i>(RMB in thousands except for percentages)</i>			
Staff costs	2,065	32.8%	7,325	20.4%
Share-based payment expenses	41	0.7%	5,524	15.4%
Marketing expenses	4,039	64.2%	20,322	56.6%
Others	147	2.3%	2,763	7.6%
	<u>6,292</u>	<u>100%</u>	<u>35,934</u>	<u>100%</u>

### Research and Development Costs

During the Track Record Period, our R&D costs consisted of staff costs, share-based payment expenses, acquisition/licensing-in expenses, third-party contracting costs, depreciation and amortization and others. In 2021 and 2022, we recorded R&D costs of RMB110.6 million and RMB180.8 million, respectively. The following table below sets forth a breakdown of our R&D costs in absolute amounts and as percentages of the total R&D costs for the periods indicated:

	<b>Year ended December 31,</b>			
	<b>2021</b>		<b>2022</b>	
	<i>(RMB in thousands except for percentages)</i>			
Staff costs	23,157	20.9%	34,432	19.0%
Share-based payment expenses	10,908	9.9%	49,953	27.6%
Acquisition/licensing-in expenses	19,434	17.6%	21,644	12.0%
Third-party contracting costs	45,173	40.9%	56,537	31.3%
Depreciation and amortization	6,891	6.2%	13,054	7.2%
Others	4,995	4.5%	5,136	2.9%
	<u>110,558</u>	<u>100%</u>	<u>180,756</u>	<u>100%</u>

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The following table below sets forth a breakdown of our R&D costs on the Core Product in absolute amounts and as percentages of the total R&D costs on the Core Product for the periods indicated:

	<b>Year ended December 31,</b>			
	<b>2021</b>		<b>2022</b>	
	<i>(RMB in thousands except for percentages)</i>			
Staff costs	3,497	17.7%	4,377	18.4%
Share-based payment expenses	1,470	7.5%	5,935	24.9%
Acquisition expenses	4,717	23.9%	–	–
Third-party contracting costs	8,729	44.3%	12,182	51.3%
Depreciation and amortization	750	3.8%	808	3.4%
Others	551	2.8%	466	2.0%
	<hr/>	<hr/>	<hr/>	<hr/>
Total R&D costs for Core Product	<u>19,714</u>	<u>100%</u>	<u>23,768</u>	<u>100%</u>

### Administrative Expenses

During the Track Record Period, our administrative expenses consisted of staff costs, share-based payment expenses, consulting fees, depreciation and amortization and others. In 2021 and 2022, we recorded administrative expenses of RMB64.7 million and RMB100.5 million, respectively. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	<b>Year ended December 31,</b>			
	<b>2021</b>		<b>2022</b>	
	<i>(RMB in thousands except for percentages)</i>			
Staff costs	19,314	29.8%	37,950	37.8%
Share-based payment expenses	30,161	46.6%	44,552	44.4%
Consulting fees	7,810	12.1%	5,618	5.6%
Depreciation and amortization	2,902	4.5%	5,228	5.2%
Others	4,558	7.0%	7,104	7.0%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>64,745</u>	<u>100%</u>	<u>100,452</u>	<u>100%</u>

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## FINANCIAL INFORMATION

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### Fair Value Losses on Convertible Redeemable Preferred Shares

Our fair value losses on convertible redeemable preferred shares represented the changes in fair value of the convertible redeemable preferred shares in relation to our pre-IPO investments. In 2021 and 2022, we recorded fair value losses on convertible redeemable preferred shares of RMB120.3 million and RMB327.1 million, respectively. For more details regarding preferred shares, see “History, Development and Corporate Structure – Pre-IPO Investments” in this Prospectus. The fair value changes of convertible redeemable preferred shares adversely affected our financial performance in 2021 and 2022 and will continue to affect our financial performance during and subsequent to the Track Record Period until the conversion of preferred shares into ordinary shares upon Listing.

### Other Expenses

During the Track Record Period, our other expenses comprised of net foreign exchange losses which is in connection with our cash and cash equivalents and time deposits over three months denominated in the U.S. dollars, as a result of the depreciation of the U.S. dollar against RMB, and fair value losses on financial assets at FVTPL. The table below summarizes a breakdown of our other expenses for the periods indicated:

	Year ended December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Foreign exchange losses, net	23,028	–
Fair value losses on financial assets at FVTPL	<u>5,196</u>	<u>–</u>
	<u>28,224</u>	<u>–</u>

### Finance Costs

During the Track Record Period, our finance costs consisted of interest on lease liabilities. In 2021 and 2022, we recorded finance costs of RMB0.6 million and RMB1.7 million, respectively. The table below summarizes a breakdown of our finance costs in absolute amounts for the periods indicated:

	Year ended December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Interest on lease liabilities	<u>559</u>	<u>1,728</u>
<b>Total</b>	<u>559</u>	<u>1,728</u>

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## FINANCIAL INFORMATION

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### **Income Tax**

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate.

#### *Cayman Islands*

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax is imposed.

#### *Hong Kong*

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Track Record Period. No Hong Kong profits tax was provided for as we did not generate any assessable profits arising in Hong Kong during the Track Record Period.

#### *Mainland China*

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "CIT Law"), our subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income during the Track Record Period.

### **Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021**

#### *Revenue*

Our revenue significantly increased by RMB9.4 million from RMB2.0 million for 2021 to RMB11.4 million for 2022, primarily due to an increase in sales of our scalp diseases and care products and Routine Skin Care Products. We expect to continue to generate most of our revenue from such sources and expand our revenue sources upon the commercialization of our products and product candidates.

#### *Cost of Sales*

Our cost of sales significantly increased by RMB3.0 million from RMB0.4 million for 2021 to RMB3.4 million for 2022, primarily due to an increase in the sales of our products in 2022.

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### *Gross Profit and Gross Profit Margin*

Our gross profit increased by RMB6.3 million from RMB1.6 million for 2021 to RMB7.9 million for 2022. The increase in gross profits is primarily driven by (i) increased revenue and (ii) structure change of our product mix. Our gross profit margin decreased from 79.0% for 2021 to 69.8% for 2022.

### *Other Income and Gains*

Our other income increased by RMB96.2 million, from RMB9.5 million in 2021 to RMB105.7 million in 2022. This increase was primarily due to an increase in the bank interest income and net foreign exchange gains in connection with our cash and cash equivalents and time deposits over three months denominated in the U.S. dollars, as a result of the appreciation of the U.S. dollar against RMB.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by RMB29.6 million from RMB6.3 million in 2021 to RMB35.9 million in 2022, primarily due to the increase in staff costs and marketing expenses from the expansion in online marketing activities on e-commerce and social media platforms to further drive online direct sales.

### *Research and Development Costs*

Our R&D costs significantly increased by RMB70.2 million, from RMB110.6 million in 2021 to RMB180.8 million in 2022, primarily due to (i) an increase in the number of our R&D personnel in 2022, (ii) an increase in share-based payment expenses from new grants under the Pre-IPO Equity Incentive Plan in December 2021 and 2022, and (iii) an overall increase in expenditures for our clinical and pre-clinical R&D activities as we advanced more product candidates along their respective development stages.

### *Administrative Expenses*

Our administrative expenses increased by RMB35.8 million from RMB64.7 million in 2021 to RMB100.5 million in 2022, primarily due to an increase in our total headcount of administrative staff in line with our business expansion and the increase in the share-based payment expenses resulted from the new grant of Pre-IPO Equity Incentive Plan in December 2021 and 2022.

### *Fair Value Losses on Convertible Redeemable Preferred Shares*

Our fair value losses on convertible redeemable preferred shares increased from RMB120.3 million for 2021 to RMB327.1 million for 2022. This increase was primarily attributable to the increase in the fair value of our preferred shares in line with the increase of our valuation in 2022.

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## FINANCIAL INFORMATION

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### *Finance Costs*

Our finance costs increased by RMB1.1 million from RMB0.6 million in 2021 to RMB1.7 million in 2022. This increase was primarily due to an increase in interest on lease liabilities.

### **DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Total non-current assets	93,156	301,380
Total current assets	<u>1,401,725</u>	<u>1,145,425</u>
<b>Total assets</b>	<b><u>1,494,881</u></b>	<b><u>1,446,805</u></b>
Total current liabilities	19,250	77,402
Total non-current liabilities	<u>2,266,140</u>	<u>2,615,719</u>
<b>Total liabilities</b>	<b><u>2,285,390</u></b>	<b><u>2,693,121</u></b>
Net current assets	1,382,475	1,068,023
Share capital	11	11
Deficits	(790,520)	(1,246,327)

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### NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31, 2021	2022	As of March 31, 2023
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
<b>CURRENT ASSETS</b>			
Inventories	1,804	19,996	22,133
Trade receivables	–	98	6,022
Prepayments, other receivables and other assets	21,153	47,584	48,399
Amounts due from related parties	498	1,240	1,256
Financial assets at FVTPL	405,492	43,496	20,054
Time deposits over three months	769,648	567,145	564,814
Cash and cash equivalents	203,130	465,866	403,540
<b>Total current assets</b>	1,401,725	1,145,425	1,066,218
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15,535	68,572	43,484
Lease liabilities	3,715	8,830	8,125
Interest-bearing bank borrowings	–	–	19,800
Deferred income	–	–	400
<b>Total current liabilities</b>	19,250	77,402	71,809
<b>NET CURRENT ASSETS</b>	1,382,475	1,068,023	994,409

We had net current assets of RMB1,382.5 million as of December 31, 2021, as compared to net current assets of RMB1,068.0 million as of December 31, 2022. This decrease was primarily due to an RMB362.0 million decrease in financial assets at FVTPL, which in turn was primarily due to the withdrawal of financial products and an RMB202.5 million decrease in time deposits over three months, primarily in relation to the maturity of our time deposits.



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## FINANCIAL INFORMATION

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### Inventories

Our inventories primarily consist of raw materials and finished goods. Our inventory increased by RMB18.2 million from RMB1.8 million as of December 31, 2021 to RMB20.0 million as of December 31, 2022 primarily due to an increased balance of finished goods in inventories as (i) the increase in the stock up of raw materials and finished goods driven by the increased research and development activities and sales of our products, and (ii) we purchased CUP-MNDE and CUP-SFJH from overseas collaboration partners in preparation for commercialization in China.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(in thousands)</i>	
Raw materials	698	1,376
Finished goods	1,106	18,620
<b>Total</b>	<b>1,804</b>	<b>19,996</b>

As of March 31, 2023, approximately RMB4.3 million, or 21.4% of our inventories as of December 31, 2022 had been utilized or sold.

The following table sets forth an aging analysis of our inventory as the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Within one year	1,804	19,746
Over one year and within two years	–	250
<b>Total</b>	<b>1,804</b>	<b>19,996</b>

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The following table sets forth our inventory turnover days during the periods indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
Inventory turnover days <sup>(1)</sup>	769	1,161

*Note:*

- (1) Inventory turnover days for each period equals the average of the beginning and ending balances of inventories for that period divided by cost of sales for that period and multiplied by the number of days in that period.

Our aging analysis of the inventory is typically within one year. The reasons for our prolonged inventory turnover days from 769 as of December 31, 2021 to 1,161 as of December 31, 2022 include (i) the increase in the stock up of raw materials and finished goods driven by the increased research and development activities and sales of our products and (ii) some of our inventories, including CUP-MNDE and CUP-SFJH, are purchased in relatively large quantities at once from overseas collaboration partners in preparation for commercialization in China due the increased demands of CUP-MNDE and CUP-SFJH and our sales records and ongoing marketing activities.

We believe we are generally not subject to any material recoverability issue of our inventories and no provision for inventories was recorded during the Track Record Period. Most of our inventories are finished goods all within the warranty period and with shelf life for maximum three years. We also have in place dedicated personnel who monitor aging conditions and marketability of our inventories with a view to identifying obsolete and slow-moving inventories so that we can take appropriate remedial measures accordingly. During the Track Record Period and as of the Latest Practicable Date, we did not bear any provision and write off expense. Our management also review the recoverability of our inventories as of the end of each reporting period. We will continue to closely monitor our sales progress and make constant efforts in managing our inventories turnover. In light of these, we do not expect to experience any material issue in recoverability of inventories in the foreseeable future.

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### Prepayments, Other Receivables and Other Assets (Current)

Our prepayments, other receivables and other assets primarily consists of rental deposits, deemed prepaid remuneration to employees, prepayments, other receivables, value-added tax recoverable and deferred issue costs.

The following tables set forth the breakdown of prepayments, other receivables and other assets as of the dates indicated:

	As of December 31, 2021	2022	As of March 31, 2023
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
<b>Current:</b>			
Rental deposits	457	593	1,016
Deemed prepaid remuneration to employees	53	244	236
Prepayments	20,642	37,756	34,774
Other receivables	1	58	59
Value-added tax recoverable	–	2,725	5,299
Deferred issue costs	–	6,208	7,015
	<u>21,153</u>	<u>47,584</u>	<u>48,399</u>

Our current prepayments, other receivables and other assets significantly increased from RMB21.2 million as of December 31, 2021 to RMB47.6 million as of December 31, 2022. This increase was primarily attributable to the increase in prepayments amount to third-party contracting services (CRO and CDMO services) for pre-clinical evaluation and clinical trials of our product candidates and inventories.

The financial assets measured at amortized cost included in the above balances relate to receivables for which there were no recent history of default and past due amounts. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so we are of the opinion that the expected credit loss in respect of these balances are minimal.

As of March 31, 2023, approximately RMB13.9 million, or 29.2% of our prepayments, other receivables and other assets as of December 31, 2022 were settled.

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### Financial Assets at FVTPL

Our financial assets at FVTPL at the end of each reporting period mainly represented short-term investments issued by reputable banks with no predetermined or guaranteed return which are not principal protected investments which is subject to the compliance with Chapter 14 of the Listing Rules upon Listing. For more details regarding our financial assets at FVTPL, see Note 18 to the Accountants' Report set forth in Appendix I to this Prospectus. The financial product portfolio could be subject to impact of macroeconomic environment conditions, and we monitor the portfolio mix closely. For more details, see "Risk Factors – Risks Relating to Our Financial Position and Need for Additional Capital – Our results of operations, financial condition, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at fair value through profit or loss and related valuation uncertainty."

The table below sets forth the financial products purchased as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Financial products	<u>405,492</u>	<u>43,496</u>

We monitor and control the investment risks associated with our portfolio of financial products with a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. There are members from our Board and senior management, as well as our finance department, who have extensive experience in managing the financial aspects of enterprise's operations. Our Board determines our investment strategies and strives to ensure our investment in financial products complies with relevant laws and regulations. Prior to making any material investments in financial products or modifying our existing investment portfolio, the proposal shall be reviewed and approved by our chief executive officer and the Board.

### Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash in hand and at bank and short term time deposits. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of us, and earn interest at the respective short term time deposit rates.

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As of December 31, 2021 and 2022, our cash and cash equivalents amounted to RMB203.1 million and RMB465.9 million, respectively. Our cash and cash equivalents increased significantly primarily due to the withdrawal of time deposits over three months and financial assets at FVTPL. The following table below sets forth a breakdown of our cash and cash equivalents by currency type as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Cash and cash equivalents	203,130	465,866
<b>Denominated in</b>		
RMB	3,530	381,658
USD	199,600	84,208

### Trade and Other Payables

Our trade and other payables primarily consist of accrued expenses for R&D services, payables for purchase of items of property, plant and equipment, salary and bonus payables and accrued listing expenses. Our trade and other payables significantly increased by RMB53.1 million, from RMB15.5 million as of December 31, 2021 to RMB68.6 million as of December 31, 2022, primarily due to an increase of salary and bonus payables, payables for purchase of items on property, plant and equipment and accrued listing expenses. Payables for purchase of items of property, plant and equipment were mainly attributable to the ongoing construction of three small-molecule formulation commercial-scale manufacturing facilities in Wuxi, Jiangsu province. For more details, see “Business – Manufacturing” in this Prospectus.

The following table sets forth a breakdown of our trade payables as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Trade payables	335	–
Accrued expenses for research and development services	7,329	6,021
Payables for purchase of items of property, plant and equipment	608	28,176
Other payables	1,781	2,943
Salary and bonus payables	4,856	11,859
Other taxes payable	626	960
Accrued listing expenses	–	18,613
	15,535	68,572

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The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Within 3 months	265	–
3 to 12 months	70	–
	335	–
<b>Total</b>	<b>335</b>	<b>–</b>

As of March 31, 2023, approximately RMB36.8 million, or 53.7% of our trade and other payable as of December 31, 2022 were settled.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through equity financing. Our primary uses of cash are to fund the R&D activities of our Core Product and other product candidates, administrative expenses and other recurring expenses.

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

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Operating cash flows before movements in working capital	(125,835)	(207,087)
Changes in working capital	(34,042)	(29,103)
<b>Net cash flows used in operating activities</b>	<b>(159,877)</b>	<b>(236,190)</b>
<b>Net cash flows (used in)/from investing activities</b>	<b>(410,653)</b>	<b>462,065</b>
<b>Net cash flows from/(used in) financing activities</b>	<b>480,761</b>	<b>(10,249)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(89,769)</b>	<b>215,626</b>
Cash and cash equivalents at beginning of year	300,170	203,130
Effect of foreign exchange rate changes, net	(7,271)	47,110
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>203,130</b>	<b>465,866</b>

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### Operating Activities

Our net cash used in operating activities consists primarily of loss before tax, as adjusted by (i) non-cash items and (ii) movements in working capital.

In 2022, our net cash used in operating activities was RMB236.2 million, which was primarily attributable to our loss before tax of RMB555.8 million, adjusted for non-cash items and movements in working capital. Positive adjustments primarily included: (i) fair value losses on convertible redeemable preferred shares of RMB327.1 million, (ii) share-based payment expenses of RMB100.0 million and (iii) the increase in trade and other payables of RMB21.6 million. Negative adjustments primarily included: net foreign exchange gains of RMB74.0 million and the increase in prepayments, other receivables and other assets of RMB24.4 million.

In 2021, our net cash used in operating activities was RMB159.9 million, which was primarily attributable to our loss before tax of RMB319.6 million, adjusted for non-cash items and movements in working capital. Positive adjustments primarily included: (i) fair value losses on convertible redeemable preferred shares of RMB120.3 million, (ii) net foreign exchange losses of RMB23.0 million and (iii) share-based payment expenses of RMB41.1 million. Negative adjustments primarily included the increase in prepayments, other receivables and other assets of RMB28.1 million.

As our business develops and expands, we expect to generate more cash flow from our operating activities. In particular, we plan to:

- Further increase the sales of our approved products. We expect our revenue from product sales will continue to achieve robust growth going forward;
- Optimizing our production plan based on our sales volumes to shorten our inventory turnover days in order to keep a stable cash flow;
- Rapidly advancing our pipeline products towards commercialization to generate revenue from product sales.

### Investing Activities

In 2022, our net cash generated from investing activities was RMB462.1 million, which was primarily attributable to withdrawal of time deposits of RMB779.0 million and withdrawal of financial assets at FVTPL of RMB751.3 million, partially offset by (i) placement of time deposits of RMB539.7 million, (ii) placement of financial assets at FVTPL of RMB381.6 million and (iii) purchases of items of property, plant and equipment of RMB134.4 million.

In 2021, our net cash used in investing activities was RMB410.7 million, which was primarily attributable to placement of time deposits of RMB257.2 million and placement of financial assets at FVTPL of RMB536.0 million, partially offset by withdrawal of time deposits of RMB154.2 million and withdrawal of financial assets at FVTPL of RMB263.9 million.

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### Financing Activities

In 2022, our net cash used in financing activities was RMB10.2 million, primarily as a result of lease payments of RMB6.9 million, issue costs paid of RMB2.4 million and payment for rental deposits of RMB1.0 million.

In 2021, our net cash generated from financing activities was RMB480.8 million, primarily as a result of proceeds from issue of convertible redeemable preferred shares of RMB484.0 million and and partially offset by lease payments of RMB3.1 million.

### CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
R&D expenses		
R&D costs for Core Product Candidate		
– Staff cost	3,289	4,086
– Acquisition expenses	4,717	–
– Third-party contracting costs	11,444	13,155
– Others	1,079	920
Total R&D expenses for Core Product	20,529	18,161
R&D costs for other product candidates		
– Staff cost	18,491	28,060
– Licensing-in expenses	14,717	21,644
– Third-party contracting costs	49,653	47,899
– Others	5,649	10,511
Total R&D expenses for other products	88,510	108,114
Total R&D expenses	109,039	126,275
Workforce employment cost <sup>(1)</sup>	24,399	49,674
Others <sup>(2)</sup>	18,958	49,421
Product marketing	4,187	22,446
Total cash operating cost	156,583	247,816

Notes:

- (1) Workforce employment costs represented non-R&D staff costs, mainly including salaries and social insurances.



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- (2) Mainly consisted of purchase of raw materials, listing expense, traveling expense and other miscellaneous costs.

### WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available, including cash and cash equivalents, time deposits over three months and the estimated net proceeds from the Listing, as well as our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including selling and distribution expense, R&D costs, administrative expenses for at least the next 12 months from the date of this Prospectus.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, payment for property, plant and equipment, payment for intangible assets, and lease payments. We estimate that we will receive net proceeds of approximately HK\$412.9 million in the Global Offering, assuming no Over-allotment Option is exercised and at an Offer Price of HK\$22.70, being the mid-point of the indicative Offer Price range of HK\$20.65 to HK\$24.75 per Offer Share. Assuming an average cash burn rate going forward of 2.0 times the level in 2022, we estimate that our cash at bank and on hand as of December 31, 2022 will be able to maintain our financial viability for 39 months taking into account the estimated net proceeds from the Global Offering and for 17 months without taking into account the estimated net proceeds from the Global Offering. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

### RELATED PARTY TRANSACTIONS

The below table sets forth the transactions with related parties during the Track Record Period.

	Year ended December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Loans to		
Ms. Zhang Lele	7,687	7,983
Mr. Wu Jiaru	357	958
Mr. Zhu Qi	1,132	1,409
Ms. Zhang Chunna	629	1,337
Dr. Lei Lei	223	1,317
Ms. Xu Jingxin	115	1,373
	<u>10,143</u>	<u>14,377</u>

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	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Deemed prepaid remuneration to		
Ms. Zhang Lele	3,440	4,864
Mr. Wu Jiaru	158	577
Mr. Zhu Qi	508	848
Ms. Zhang Chunna	286	805
Dr. Lei Lei	106	793
Ms. Xu Jingxin	62	827
	<u>4,560</u>	<u>8,714</u>
	<u>14,703</u>	<u>23,091</u>
Deemed interest income from loans to		
Ms. Zhang Lele	22	397
Mr. Wu Jiaru	1	50
Mr. Zhu Qi	3	102
Ms. Zhang Chunna	2	76
Dr. Lei Lei	1	55
Ms. Xu Jingxin	–	52
	<u>29</u>	<u>732</u>
	<u>29</u>	<u>732</u>

The below table sets forth the outstanding balances with related parties during the Track Record Period as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>(RMB in thousands)</i>	
Amount due from related parties:		
Loan to related parties:		
Non-trade in nature and non-current		
Ms. Zhang Lele	7,709	16,089
Mr. Wu Jiaru	358	1,366
Mr. Zhu Qi	1,135	2,646
Ms. Zhang Chunna	631	2,044
Dr. Lei Lei	224	1,596
Ms. Xu Jingxin	115	1,540
	<u>10,172</u>	<u>25,281</u>
	<u>10,172</u>	<u>25,281</u>

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**As of December 31,**  
**2021**                      **2022**  
*(RMB in thousands)*

Deemed prepaid remuneration to related parties		
Trade in nature		
Ms. Zhang Lele	3,418	7,885
Mr. Wu Jiaru	157	684
Mr. Zhu Qi	505	1,251
Ms. Zhang Chunna	284	1,013
Dr. Lei Lei	105	843
Ms. Xu Jingxin	62	837
	<u>4,531</u>	<u>12,513</u>
	<u>14,703</u>	<u>37,794</u>
Analysed into:		
Current portion	498	1,240
Non-current portion	14,205	36,554
	<u>14,205</u>	<u>36,554</u>

The maturity dates of the loans borrowed by Ms. Zhang Lele in 2021 and 2022 are September 1, 2029 and November 20, 2032, respectively. The maturity dates of the loans borrowed by other key management personnel fall between August 5, 2029 and February 28, 2032.

We provided an eight-year unsecured and non-interest-bearing loan of RMB11,127,000 and a ten-year unsecured and non-interest-bearing loans of RMB12,847,000 to Ms. Zhang Lele in December 2021 and December 2022, respectively. Meanwhile, we also provided unsecured and non-interest-bearing loans of RMB3,576,000 and RMB10,244,000 to other key management personnel in December 2021 and March 2022, respectively, with terms ranging from 7.5 years to 10 years. We provided these loans as part of our efforts to retain and motivate employees and such loans are available to all eligible employees who are part of the Pre-IPO Equity Incentive Plan. The participants are required to repay such loans in full before he or she leaves the Company or right after the exercise of the relevant awards under the Pre-IPO Equity Incentive Plan. On initial recognition, the receivable was measured at fair value, which in this case was equal to the cash consideration given discounted to the present value. The difference between the loan amount and its fair value on initial recognition date was treated as deemed prepaid remuneration to Ms. Zhang Lele and other key management personnel and is amortized through the expected loan terms.

The loans to related parties are non-trade in nature and will not be settled prior to Listing.

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Mr. Zhu Qi is the chief medical officer. Dr. Lei Lei is the senior vice president of research and development department. Ms. Zhang Chunna is the senior vice president of regulatory affairs department. Ms. Xu Jingxin is the senior vice president of manufacturing and quality control department. Mr. Wu Jiaru is the senior vice president of finance and integrated management department.

The deemed interest income from loans is recognized on an accrual basis using the effective interest rate to the net carrying amount of the loans. The loan or any deemed interest income would be netted against the 6 borrowers' respective remuneration.

Our Directors have assessed the expected loss rate for amounts due from related parties by considering the financial position and credit history of these related parties and assessed that the expected credit loss is minimal.

We provided loans to those key management personnel due to the withholding and payment of tax arising from share incentive scheme transfers. It is in line with industry practice according to Frost & Sullivan. The key management personnel is required to repay such loans before he or she leaves the Company or right after the exercise of the awards under the share incentive scheme. During the Track Record Period and as of the Latest Practicable Date, no such key management personnel has left the Company or exercised his or her awards. In relation to the tax arising from the share incentive scheme transfer, our PRC Legal Advisor has advised us that, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Imposition of Individual Income Tax on Incomes from Individual Stock Options (《財政部、國家稅務總局關於個人股票期權所得徵收個人所得稅問題的通知》), the individual income taxes on incomes from stock options granted to enterprise employees by an enterprise implementing the stock option plan shall be imposed pursuant to the Individual Income Tax Law of the People's Republic of China and the Regulation on the Implementation thereof. As a general rule, the stock options that are received by an employee in an enterprise implementing the stock option plan may not be taken as taxable incomes, unless it is otherwise prescribed by relevant taxation provisions. When an employee exercises his right, if the actual purchase price (exercise price) at which an employee gets stocks from his enterprise is lower than the fair market price on the purchase day (which refers to the closing price of stocks on that day, similarly hereinafter), the difference is the incomes relating to his service and employment due to his performance and accomplishments in this enterprise, therefore, the individual income taxes on such kind of incomes shall be imposed pursuant to the provisions on incomes from wages and salaries. If, under special circumstances, an employee transfers his stock options prior to the exercise day, the net incomes from the transfer shall be the basis for calculating the individual income taxes on his income from wages and salaries. In relation to the loans to related parties stated above, our PRC Legal Advisor has advised us that, according to the General Lending Provisions (the "**General Lending Provisions**") (《貸款通則》) promulgated by the PBOC, a loan means a currency fund provided by a lender to a borrower and both the principal amount and interests shall be paid back, according to the interest rate and duration agreed. Enterprises are prohibited from engaging in borrowing and lending or borrowing and lending in a disguised manner in violation of laws and regulations. If enterprises engage in borrowing and lending or borrowing

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## FINANCIAL INFORMATION

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and lending in a disguised manner without authorization, the PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activity, and concurrently, invalidate such lending activity. All of our loans to related parties were non-interest-bearing during the Track Record Period, and therefore the capital lent out did not constitute currency funds bearing interest. Our PRC Legal Advisor further advised that, notwithstanding the General Lending Provisions, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”) which came into effect on 23 June 2015 and was latest amended on 1 January 2021, the Supreme People's Court recognizes the validity of lending transactions between non-financial institutions so long as such agreements are for production or business operation purposes and do not fall into certain situations stipulated in the PRC Civil Code and the Judicial Interpretations on Private Lending Cases. As confirmed by our Company having taken the advice of the PRC Legal Advisor regarding to the relevant provisions of the Civil Code of the PRC and the Judicial Interpretations on Private Interpretations on Private Lending Cases, the agreements of the loans to related parties as disclosed above were for business operation purposes and did not fall into the situations which would lead to the invalidation of such loan agreements. As of the Latest Practicable Date, we had not received any notice of claim and were not subject to any investigation or penalty relating to the loans we provided to related parties during the Track Record Period. Having taking into account the above, our PRC Legal Advisor is of the view that (i) our Group's loans to related parties were valid under the current PRC laws and regulations and do not violate any mandatory provision of applicable PRC laws and regulation; (ii) our Group's loan are not regarded as a circumvention of PRC laws and regulations and (iii) the risk of us being penalized under the General Lending Provisions for the above-mentioned loans is remote.

Our Directors confirm that our related party transactions during the Track Record Period were on an arm's length basis and in the aggregate would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. Details of our transactions with and the outstanding balances with related parties during the Track Record Period are set out in Note 27 to the Accountants' Report included in Appendix I to this prospectus.

Pursuant to Rule 14A.31 of the Listing Rules, continuing connected transactions are connected transactions involving the provision of goods or services or financial assistance, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. The loan under the Pre-IPO Equity Incentive Plan extended to Ms. Zhang Lele, a Director and the CEO of the Company, is a one-off transaction which has been entered into prior to Listing and thus, is not subject to the requirements under Chapter 14A of the Listing Rules. Since the loan will not be recurring after Listing, it will not constitute a continuing connected transaction subject to relevant requirements under Chapter 14A of the Listing Rules after Listing. As no option or share awards will be further granted under the Pre-IPO Equity Incentive Plan after Listing, we do not expect to grant any loans to the grantees (including but not limited to any connected persons of the Company) of the Pre-IPO Equity Incentive Plan.

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## FINANCIAL INFORMATION

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Except Ms. Zhang Lele, there is no existing loan arrangement between the Company and any other connected persons of the Company as of the Latest Practicable Date. There will be no similar loan arrangement with the grantees in relation to the share options or share awards to be granted under the Post-IPO Equity Incentive Plan.

### INDEBTEDNESS

The following table sets forth the breakdown of our interest-bearing bank borrowings, lease liabilities and convertible redeemable preferred shares as of the dates indicated:

	As of December 31, 2021	As of December 31, 2022	As of March 31, 2023
	<i>(RMB in thousands)</i>		
			<i>(unaudited)</i>
<b>Current liabilities:</b>			
Lease liabilities	3,715	8,830	8,125
Interest-bearing bank borrowings	—	—	19,800
	<hr/>	<hr/>	<hr/>
<b>Non-current liabilities:</b>			
Convertible redeemable preferred shares	2,242,924	2,570,021	2,624,567
Lease liabilities	22,816	45,298	43,179
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>2,269,455</u></b>	<b><u>2,624,149</u></b>	<b><u>2,695,671</u></b>

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date. As of the March 31, 2023, we have unutilized banking facilities of RMB60.2 million.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated:

	As of December 31,	
	2021	2022
Current ratio <sup>(1)</sup>	72.8	14.8
Quick ratio <sup>(2)</sup>	72.7	14.5

*Notes:*

- (1) Current ratio equals current assets divided by current liabilities as of the end of the year.
- (2) Quick ratio equals current assets less inventories and divided by current liabilities as of the end of the year.

Our current ratio decreased from 72.8 as of December 31, 2021 to 14.8 as of December 31, 2022, and our quick ratio decreased from 72.7 as of December 31, 2021 to 14.5 as of December 31, 2022, primarily due to a decrease in financial assets at FVTPL and an increase in trade and other payables, primarily in relation to our expanded R&D activities.

### CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the Track Record Period.

	As of December 31,	
	2021	2022
	<i>(RMB in thousands)</i>	
Contracted, but not provided for:		
Acquisition of property, plant and equipment, and other intangible assets	<u>10,229</u>	<u>6,456</u>

### CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period primarily included purchases of items of property, plant and equipment and purchases of items of other intangible assets. We funded our capital expenditures during the Track Record Period mainly from equity financing.

We plan to fund our planned capital expenditures using our cash and cash equivalents and the net proceeds received from the Global Offering. For more details, see “Future Plans and Use of Proceeds.” We may reallocate the funds to be utilized on capital expenditure based on our ongoing business needs.

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## FINANCIAL INFORMATION

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### CONTINGENT LIABILITIES

As of December 31, 2021 and 2022, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### MARKET RISK DISCLOSURE

#### Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our financial assets, which comprise cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets and amounts due from related parties arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For more details, see Note 30 to the Accountants' Report set forth in Appendix I to this Prospectus.

#### Liquidity Risk

We monitor and maintains a level of cash and cash equivalents deemed adequate by the management of us to finance the operations and mitigate the effects of fluctuations in cash flows.

For more details, see Note 30 to the Accountants' Report set forth in Appendix I to this Prospectus.

#### Foreign Currency Risk

We are exposed to currency risk primarily through which give rise to cash balances that is denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars. For more details, see Note 30 to the Accountants' Report set forth in Appendix I to this Prospectus.



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## FINANCIAL INFORMATION

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### DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and the Cayman Companies Act. The declaration and payment of dividends in the future will be determined by our Board of Directors, in its discretion, or the Shareholders in general meeting, and will depend on a number of factors, including our earnings, capital requirements, and overall financial condition. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business (i.e. the solvency test as provided in the Cayman Companies Act). As advised by our Cayman counsel, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that we satisfy the solvency test set out in the Cayman Companies Act. There is no assurance that dividends of any amount will be declared to be distributed in any year.

### DISTRIBUTABLE RESERVES

As of December 31, 2022, we did not have any distributable reserves.

### LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

Listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering. Listing expenses for the Global Offering are estimated to be approximately HK\$73.2 million, comprising (i) underwriting-related expenses (including but not limited to commissions and fees) of approximately HK\$24.7 million and (ii) non-underwriting-related expenses of approximately HK\$48.5 million, comprising (a) fees and expenses of legal advisors and accountants of approximately HK\$36.3 million and (b) other fees and expenses of approximately HK\$12.2 million, at an Offer Price of HK\$22.70 per Share, being the mid-point of the indicative Offer Price range, which represents approximately 15.1% of the gross proceeds we expect to receive from this Global Offering assuming no Shares are issued pursuant to the Over-allotment Option. RMB23.5 million (HK\$26.2 million) was recognized and charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2022. After December 31, 2022, approximately HK\$25.6 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK\$21.4 million is expected to be charged against equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the Global Offering been completed as of December 31, 2022 or at any future date.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>(Note 2)</i>	Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing <i>RMB'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2022 <i>RMB'000</i> <i>(Note 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share as at 31 December 2022 <i>RMB</i> <i>HKD</i> <i>(Note 4)</i> <i>(Note 5)</i>	
Based on an Offer Price of HKD20.65 per Offer Share	(1,246,913)	353,872	2,570,021	1,676,980	5.52	6.15
Based on an Offer Price of HKD24.75 per Offer Share	(1,246,913)	428,616	2,570,021	1,751,724	5.76	6.42
Based on an Offer Price of HKD22.70 per Offer Share	(1,246,913)	391,244	2,570,021	1,714,352	5.64	6.29

*Notes:*

- (1) The consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 31 December 2022 was equal to the audited net liabilities attributable to owners of the Company as at 31 December 2022 of RMB(1,246,316,000) after deducting of other intangible assets of RMB597,000 as at 31 December 2022 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on an Offer Price of HKD20.65, HKD22.70 and HKD24.75, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account any Shares which may be issued upon the exercise of the Over-Allotment Option.
- (3) For the purpose of the unaudited pro forma financial information, considering the estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by

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## FINANCIAL INFORMATION

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RMB2,570,021,000, being the fair value of the Preferred Shares as at 31 December 2022. Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be re-designated from liabilities to equity. The amount that is re-designated from liabilities to equity will be the fair value of the Preferred Shares on that date of the Global Offering.

- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred in note 2 and 3 above and on the basis of 304,024,465 Shares are in issue (retrospectively adjusted for Share Subdivision as disclosed in Note 31 of Appendix I to the Prospectus), assuming that the conversion of Preferred Shares into the ordinary shares and the Global Offering has been completed on 31 December 2022 but does not take into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HKD at the rate of RMB1.00 to HKD1.1148.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that up to the date of this Prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2022, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Prospectus.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

As of the date of this Prospectus, 6 Dimensions LP, 6 Dimensions Affiliates, Suzhou Frontline II and Suzhou 6 Dimensions will be interested in approximately 21.85%, 1.15%, 9.17% and 21.40% of the total issued share capital of our Company, respectively. The respective investment committee (the “**Investment Committee**”) of each of the 6 Dimensions Entities comprises of the same members, including Dr. Zhu Qingsheng, Dr. Li Wei, Mr. Hu Edward and Dr. Chen Lian Yong, our non-executive Director and chairman of the Board (individually and collectively, the “**Investment Committee Member(s)**”), which is the decision-making body of each of the 6 Dimensions Entities. The Investment Committee is the decision-making body of 6 Dimensions Capital (通和毓承) and is responsible for approving investment and divestment of all portfolio companies of the 6 Dimensions Entities. Each Investment Committee Member is entitled with one vote for matters presented in the meeting of the Investment Committee, and all resolutions resolved at such meeting shall be approved by a majority of the Investment Committee Members. The Investment Committee has the authority to make the ultimate investment decision on behalf of the 6 Dimensions Entities, and can override the decisions made by general partners thereof. The investment structure to our Company from 6 Dimensions Capital (通和毓承) through the 6 Dimension Entities as described under the section headed “History, Development and Corporate Structure – Pre-IPO Investments – Information about the Pre-IPO Investors – Controlling Shareholders” takes into account the internal investment policy of 6 Dimensions Capital (通和毓承) as well as investment terms and remaining proceeds from each of the 6 Dimension Entities. Such investment structure is similar to other portfolio companies incubated by 6 Dimensions Capital (通和毓承).

Therefore, 6 Dimensions Entities, which will be in aggregate interested in approximately 49.82% of the total issued share capital of our Company immediately after the completion of Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan), will constitute a group of Controlling Shareholders upon Listing. For more details of 6 Dimensions Entities, see “History, Development and Corporate Structure – Pre-IPO Investments”.

6 Dimensions Capital (通和毓承) became acquainted with Ms. Zhang Lele in 2018 through common acquaintance, Dr. Xie Qin, one of our non-executive Directors who was then serving at an affiliate of 6 Dimensions Capital (通和毓承). For details, please refer to the section headed “History, Development and Corporate Structure – Overview”. As a specialist healthcare private equity fund management company, 6 Dimensions Capital (通和毓承) has a track record of incubating companies focusing on various fields at healthcare industry. After in-depth communication, 6 Dimensions Capital (通和毓承) and Ms. Zhang Lele began exploring business opportunities in the dermatology treatment and care market, where they believe strong potentials existed. With confidence in the industry experience and management skills of Ms. Zhang Lele, our Group was founded in 2019 by 6 Dimensions Entities as shareholders of the Company and Ms. Zhang Lele, as our CEO and executive Director.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CLEAR DELINEATION OF BUSINESS

6 Dimensions Entities are investment funds managed under 6 Dimensions Capital (通和毓承), a specialist healthcare private equity fund management company with an in-depth focus on healthcare and extensive coverage across China and/or the United States. As of the Latest Practicable Date, 6 Dimensions Entities and their affiliates invested and cultivated a portfolio of more than 80 companies, including, among others, 111, Inc., CStone Pharmaceuticals, GRAIL, Inc., Hua Medicine, Ocumension Therapeutics, Viela Bio, Inc., IDEAYA Biosciences, Inc., TCR<sup>2</sup> Therapeutics, Inc., iTeos Therapeutics, Inc., Fulcrum Therapeutics, Inc. and Kymera Therapeutics, Inc..

As of the Latest Practicable Date, other than the interest in our Company, the Controlling Shareholders had controlling interests in the following companies:

<b>Name of Company</b>	<b>Primary Business</b>
Ocumension Therapeutics (歐康維視生物)	Identification development and commercialization of first- or best-in-class ophthalmic therapies
Curon Biopharmaceutical Limited	Development of next-generation tumor immunotherapy drugs
Shanghai WellVac Biotechnology Co., Ltd. (上海至成生物科技有限公司)	Research and development of human papillomavirus (HPV) vaccine
Shanghai Jiuben Technology Co., Ltd. (上海究本科技有限公司)	Development and commercialization of microbiome dietary intervention products and related technologies
Mabsoft Therapeutics (慕寶盛科)	Research and development of next-generation ADC for tumor immunotherapy
Shanghai Huazhou Pressure-sensitive Adhesive Products Co., Ltd. (上海華舟壓敏膠製品有限公司)	Development and production of medical pressure-sensitive adhesive products such as medical tapes, excipients, and band-aids

We are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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To the best knowledge of our Directors, none of the Controlling Shareholders or their respective close associates holds 10% or more equity interests, individually or collectively, in any company whose products are the same as the Core Product and key products of our Company, or whose business competes or is likely to compete, directly or indirectly, with our business, that requires disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Listing.

#### Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. For more details, see “Directors and Senior Management”.

As of the Latest Practicable Date, Dr. Chen Lian Yong and Dr. Xie Qin, being non-executive Directors of our Company, are partners of 6 Dimensions Capital (通和毓承), the private equity fund management company under which our Controlling Shareholders are managed and act as directors, supervisors and/or advisors in companies invested by the Controlling Shareholders or their affiliated entities respectively. Other than above, there is no overlapping of directors or senior management between our Company and our Controlling Shareholders and their close associates.

Despite the aforementioned overlapping Directors, our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their respective close associates for the following reasons:

- Dr. Chen Lian Yong and Dr. Xie Qin as non-executive Directors are responsible for supervising the management of our Board, but are not involved in the day-to-day management or operations of our business. Therefore, their positions in the Controlling Shareholders or their close associates will not affect the day-to-day management of our business;
- each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests;
- our daily management and operations are carried out by our executive Directors and an independent senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- none other two non-executive Directors, our executive Directors and senior management team holds any directorships or management positions in, or represents interests of, our Controlling Shareholders;
- we have three independent non-executive Directors which (i) account for one-third of the Board; (ii) do not and will not hold any directorships or management positions in our Controlling Shareholders and (iii) possess requisite industry knowledge and experience and are qualified to provide independent, sound and professional advice to our Company;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their close associates which would support our independent management. For more details, see “– Corporate Governance Measures”.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

### **Financial Independence**

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. In addition, we have also established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Our Directors believe that, upon Listing, our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders or their close associates.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders or their close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers. Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their close associates.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders or their associates will not vote on the relevant resolutions;
- our Company has established internal control mechanisms to identify connected transactions. If our Company enters into connected transactions with our Controlling Shareholders or any of their associates upon Listing, our Company will comply with the applicable Listing Rules;
- the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after Listing.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe or cause their designated entities to subscribe, at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 200 Shares) that may be purchased for an aggregate amount of US\$23,200,000 (or approximately HK\$181,442,560, calculated based on the conversion rate as set out in the section headed “Information about this Prospectus and the Global Offering – Exchange Rate Conversion”) (exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$20.65, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 8,786,400 Offer Shares, representing approximately 41.29% of the Offer Shares pursuant to the Global Offering and approximately 2.89% of the total Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan).

Assuming an Offer Price of HK\$22.70, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 7,992,600 Offer Shares, representing approximately 37.56% of the Offer Shares pursuant to the Global Offering and approximately 2.63% of the total Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan).

Assuming an Offer Price of HK\$24.75, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 7,330,600 Offer Shares, representing approximately 34.45% of the Offer Shares pursuant to the Global Offering and approximately 2.41% of the total Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan).

Our Company is of the view that, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in the business and prospect of the Group.

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## CORNERSTONE INVESTORS

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The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank pari passu in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. On the other hand, such Offer Shares will not count towards the public float for the purpose of Rule 18A.07 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial shareholder of our Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company and after making reasonable enquiries, (i) the Cornerstone Investors are independent from our Company, our connected persons and their respective associates and they are not our existing Shareholders; (ii) the Cornerstone Investors are independent from each other; (iii) the Cornerstone Investors are not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it; and (iv) the subscription of Offer Shares pursuant to the Cornerstone Investment Agreements is not directly or indirectly financed by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective subsidiaries or close associate.

As confirmed by the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by their internal resources. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by Harvest under the Cornerstone Placing. Nevertheless, all of the Cornerstone Investors, including Harvest, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Offer Shares commence on the Stock Exchange. As such, there will be no deferred settlement of payment of the investment amounts. If there is no over-allocation in the International Offering, delayed delivery will not take place.

To the best knowledge of our Company and as confirmed by each Cornerstone Investors, save for So-Young Hong Kong Limited, none of the Cornerstone Investors nor their respective shareholders are listed on any stock exchanges. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

## CORNERSTONE INVESTORS

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback”. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around June 9, 2023.

### THE CORNERSTONE INVESTORS

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to the Company’s total issued Shares under the Cornerstone Placing.

#### Based on the Offer Price of HK\$20.65 (being the low-end of the Offer Price range)

Cornerstone Investor <sup>(1)</sup>	Investment Amount <sup>(2)</sup>	Number of Offer Shares <sup>(3)</sup>	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Harvest	US\$20,000,000	7,574,400	35.59%	30.95%	2.49%	2.47%
Xinhongdi VC	US\$2,200,000	833,200	3.92%	3.40%	0.27%	0.27%
So-Young HK	US\$1,000,000	378,600	1.78%	1.55%	0.12%	0.12%
<b>Total</b>	<b>US\$23,200,000</b>	<b>8,786,400</b>	<b>41.29%</b>	<b>35.90%</b>	<b>2.89%</b>	<b>2.86%</b>

*Notes:*

- As defined below.
- Exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy, and to be converted to Hong Kong dollars based on the exchange rate as disclosed in this Prospectus.
- Rounded down to the nearest whole board lot of 200 Offer Shares.

## CORNERSTONE INVESTORS

**Based on the Offer Price of HK\$22.70 (being the mid-point of the Offer Price range)**

Cornerstone Investor <sup>(1)</sup>	Investment Amount <sup>(2)</sup>	Number of Offer Shares <sup>(3)</sup>	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised
			Option is not exercised	Option is exercised in full	Option is not exercised	Option is exercised in full
Harvest	US\$20,000,000	6,890,400	32.38%	28.15%	2.27%	2.24%
Xinhongdi VC	US\$2,200,000	757,800	3.56%	3.10%	0.25%	0.25%
So-Young HK	US\$1,000,000	344,400	1.62%	1.41%	0.11%	0.11%
<b>Total</b>	<b>US\$23,200,000</b>	<b>7,992,600</b>	<b>37.56%</b>	<b>32.66%</b>	<b>2.63%</b>	<b>2.60%</b>

*Notes:* For notes (1) to (3), see “Based on the Offer Price of HK\$20.65 (being the low-end of the Offer Price range)” above.

**Based on the Offer Price of HK\$24.75 (being the high-end of the Offer Price range)**

Cornerstone Investor <sup>(1)</sup>	Investment Amount <sup>(2)</sup>	Number of Offer Shares <sup>(3)</sup>	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
			Option is not exercised	Option is exercised in full	Option is not exercised	Option is exercised in full
Harvest	US\$20,000,000	6,319,800	29.70%	25.82%	2.08%	2.06%
Xinhongdi VC	US\$2,200,000	695,000	3.27%	2.84%	0.23%	0.23%
So-Young HK	US\$1,000,000	315,800	1.48%	1.29%	0.10%	0.10%
<b>Total</b>	<b>US\$23,200,000</b>	<b>7,330,600</b>	<b>34.45%</b>	<b>29.95%</b>	<b>2.41%</b>	<b>2.39%</b>

*Notes:* For notes (1) to (3), see “Based on the Offer Price of HK\$20.65 (being the low-end of the Offer Price range)” above.

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## CORNERSTONE INVESTORS

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The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

### **Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP**

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP (“**Harvest**”) is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The sole participating shareholder of Harvest is Navigator Technology Limited (“**NTL**”), and the ultimate beneficial owner of NTL is Zheng Fuhua, an Independent Third Party.

Our Company became acquainted with Harvest through introduction by certain Underwriters in the Global Offering.

HFM is owned as to 30% by DWS Investments Singapore Limited and is a member of the same group of companies as Deutsche Bank AG, Hong Kong Branch (“**DBHK**”), one of the Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers in the Global Offering. Therefore, Harvest is a “connected client” of DBHK within the meaning of paragraph 13(7) of Appendix 6 to the Listing Rules (the “**Placing Guidelines**”). We have applied to the Stock Exchange for, and the Stock Exchange has granted, a consent under paragraph 5(1) of the Placing Guidelines to permit Harvest to participate in the Global Offering as a cornerstone investor subject to certain conditions. See “Waivers and Exemptions – Exemption From Compliance With Section 342(1) Of The Companies (Winding Up And Miscellaneous Provisions) Ordinance And Paragraph 27 Of Part I And Paragraph 31 Of Part II Of The Third Schedule To The Companies (Winding Up And Miscellaneous Provisions) Ordinance” for further details.

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## CORNERSTONE INVESTORS

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### **Wuxi Xinhongdi Venture Capital Partnership (Limited Partnership) (無錫新鴻笛創業投資合夥企業(有限合夥))**

Wuxi Xinhongdi Venture Capital Partnership (Limited Partnership) (無錫新鴻笛創業投資合夥企業(有限合夥)) (“**Xinhongdi VC**”) is a limited partnership incorporated in the PRC with five limited partners, all being our Independent Third Parties, and two largest limited partners each hold 29.24% of its partnership interest. The general partner of Xinhongdi VC is Wuxi Starorigin Private Fund Management Co., Ltd. (無錫星源私募基金管理有限公司) (“**Xingyuan PE**”). Xingyuan PE is owned by (i) Wuxi Xinfu Industry Investment Limited Company (無錫市新發產業投資有限公司) (“**Wuxi Xinfu Industry**”) as to 45%, (ii) Wuxi Heyuan Enterprise Management Partnership (Limited Partnership) (無錫合源企業管理合夥企業(有限合夥)) (“**Wuxi Heyuan**”) as to 35%, and (iii) Jiangsu Zhiyuan Capital Management Limited Company (“**Jiangsu Zhiyuan**”) (江蘇致源資本管理有限公司) as to 20%. Wuxi Xinfu Industry is wholly owned by Wuxi Xinfu Group Limited Company (無錫市新發集團有限公司) (“**Wuxi Xinfu Group**”), which is in turn wholly owned by Wuxi Gaofa Investment Development Group Limited Company (無錫市高發投資發展集團有限公司) (“**Wuxi Gaofa**”), a company wholly owned the Government of Xinwu District of Wuxi (無錫市新吳區人民政府). Wuxi Heyuan is a limited partnership with Shang Jicai (尚繼才) holding 99% of its partnership interest as its general partner and Xie Jingwan (謝婧婉) holding 1% of its partnership interest as its limited partner. Jiangsu Zhiyuan is controlled by Fang Jian (方健). To the best knowledge of our Company, each of Xinhongdi VC, Xingyuan PE, Wuxi Xinfu Industry, Wuxi Xinfu Group, Wuxi Gaofa, Government of Xinwu District of Wuxi, Wuxi Heyuan, Shang Jicai, Xie Jingwan, Jiangsu Zhiyuan and Fang Jian is an Independent Third Party.

Our Company became acquainted with Xinhongdi VC through the introduction by Finance Office of Development and Reform Commission of the Management Committee of Wuxi National High-Tech Industrial Development Zone (無錫國家高新技術產業開發區管理委員會), which was one of the governing authorities of our operation in Wuxi.

### **So-Young Hong Kong Limited**

So-Young Hong Kong Limited (“**So-Young HK**”) is a company incorporated in Hong Kong in May 2014, engaging in investment holding. So-Young HK is wholly owned by So-Young International Inc. (“**So-Young Cayman**”), a company incorporated in Cayman Islands which operates an online platform on consumption healthcare services, whose class A ordinary shares are listed on the Nasdaq Global Market (trading symbol: SY). To the best knowledge of our Company, each of So-Young HK and So-Young Cayman is an Independent Third Party.

Our Company became acquainted with So-Young HK while approaching potential investors during roadshow.

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## CORNERSTONE INVESTORS

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### CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (b) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement and the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties thereto in connection with the Global Offering;
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

### RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investors, including the Lock-up Period restriction.



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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For more details of our future plans, see “Business – Strategies.”

### USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$412.9 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no exercise of the Over-allotment Option and assuming an Offer Price of HK\$22.70 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$20.65 to HK\$24.75 per Offer Share in this Prospectus.

We intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately HK\$185.8 million, representing 45.0% of the net proceeds, will be used for our Core Product CU-20401:
- Approximately HK\$173.4 million, representing 42.0% of the net proceeds, will be used to fund the continuing clinical development activities as well as registration filings, post-approval studies and costs and expenses of R&D staff and activities of our Core Product CU-20401:
- Approximately HK\$76.4 million, representing 18.5% of the net proceeds, will be used in ongoing research and development of CU-20401 in the Phase II and Phase III clinical trials for submental adipose accumulation in China. We plan to initiate a Phase II clinical trial for submental adipose accumulation in July 2023 and expect to recruit approximately 120 patients and to have first patient in the third quarter of 2023. We plan to initiate a Phase III clinical trial for submental adipose accumulation in 2025 and complete primary endpoint read-out in 2027. We plan to allocate approximately HK\$10.3 million, representing 2.5% of the net proceeds to the Phase II clinical trial, and approximately HK\$31.0 million, representing 7.5% of the net proceeds to the Phase III clinical trial of CU-20401 for submental adipose accumulation in China, respectively. The Phase III clinical trial is expected to be designed as an MRCT in Asia, covering the jurisdictions of Hong Kong, Taiwan, Japan and South Korea.
- Approximately HK\$76.4 million, representing 18.5% of the net proceeds, will be used in ongoing research and development of CU-20401 in the Phase I, Phase II and Phase III clinical trials for abdominal adipose accumulation in China. We are actively recruiting subjects for the Phase I clinical trial and expect to complete patient enrollment in the third quarter of 2023. We plan to initiate a Phase II clinical trial for abdominal adipose accumulation in 2024 and expect to recruit approximately 150 to

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## FUTURE PLANS AND USE OF PROCEEDS

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200 patients and to have first patient in 2024. We plan to initiate a Phase III clinical trial for abdominal adipose accumulation in 2026. The Phase III clinical trial is expected to be designed as an MRCT in Asia, covering the jurisdictions of Hong Kong, Taiwan, Japan and South Korea.

- Approximately HK\$20.6 million, representing 5.0% of the net proceeds, will be used in the registration filings of CU-20401 in China, as well as IND applications, registrations filings of CU-20401 in other jurisdictions in Asia. We plan to submit NDA of CU-20401 to the NMPA as early as 2027.
- Approximately HK\$12.4 million, representing 3.0% of the net proceeds, will be used to enable the local production of CU-20401 in Mainland China. The manufacturing facilities are equipped with three production lines and our Directors believe that the facilities have a potential production capacity of one million doses for CU-20401 upon its commercialization with appropriate technical enhancement.
- Approximately HK\$90.8 million, representing 22.0% of the net proceeds, will be used to fund the continuing research and development activities of our Key Products, CU-40102 and CU-10201, including the planned clinical trials and the preparation of registration filings:
  - Approximately HK\$45.4 million, representing 11.0% of the net proceeds, will be used to fund the continuing clinical development activities and future milestone payments of CU-40102,
  - Approximately HK\$45.4 million, representing 11.0% of the net proceeds, will be used to fund the continuing clinical development activities and future milestone payments of CU-10201,
- Approximately HK\$74.3 million, representing 18.0% of the net proceeds, will be used to fund the continuing R&D activities of the other candidates in our pipeline, including the planned clinical trials and the preparation of registration filings:
  - Approximately HK\$29.7 million, representing 7.2% of the net proceeds, for the R&D of CU-40101, CU-40103, CU-40104 and other potential scalp diseases and care products;
  - Approximately HK\$10.7 million, representing 2.6% of the net proceeds, will be used in ongoing research and development of CU-40101 in the Phase I clinical trials. We are currently conducting a Phase I clinical trial for CU-40101. We expect to complete the Phase I clinical trial in the second quarter of 2024;

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately HK\$7.4 million, representing 1.8% of the net proceeds, will be used in ongoing research and development of CU-40103 in the Phase I clinical trials. We are currently conducting the pre-clinical study of CU-40103. We plan to submit an ANDA to the NMPA in the third quarter of 2024;
- Approximately HK\$7.4 million, representing 1.8% of the net proceeds, will be used in ongoing research and development of CU-40104 in the Phase I clinical trials. We are currently conducting the pre-clinical study of CU-40104. We plan to submit an IND application to the NMPA in the fourth quarter of 2024;
- Approximately HK\$4.1 million, representing 1.0% of the net proceeds, will be used in research and development of other potential scalp diseases and care products.
- Approximately HK\$29.7 million, representing 7.2% of the net proceeds, for the R&D of CU-10101, CU-10401 and other potential skin diseases and care products;
  - Approximately HK\$12.4 million, representing 3.0% of the net proceeds, will be used in ongoing research and development of CU-10101 in the Phase I clinical trials. We are currently under the pre-clinical stage for CU-10101. We plan to submit an IND application to the NMPA in the second quarter of 2024;
  - Approximately HK\$12.4 million, representing 3.0% of the net proceeds, will be used in ongoing research and development of CU-10401 in the Phase I clinical trials. We are currently conducting the pre-clinical study of CU-10401. We plan to submit an ANDA to the NMPA in 2026;
  - Approximately HK\$5.0 million, representing 1.2% of the net proceeds, will be used in research and development of other potential skin diseases and care products.
- Approximately HK\$14.9 million, representing 3.6% of the net proceeds, for the R&D of CU-30101;
  - Approximately HK\$14.9 million, representing 3.6% of the net proceeds, will be used in ongoing research and development of CU-30101 in the Phase III clinical trials and its registration filings. We received the NMPA's IND approval for CU-30101 in November 2022. We initiated the Phase III clinical trial in April 2023 and plan to submit an NDA to the NMPA in 2025;

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately HK\$41.3 million, representing 10.0% of the net proceeds, for technology development and business development for pipeline expansion:
  - Approximately HK\$20.6 million, representing 5.0% of the net proceeds, for expansion of our CATAME<sup>®</sup> platform and explore other potential innovative platform technology;
  - Approximately HK\$20.6 million, representing 5.0% of the net proceeds, for strategically in-license potential market-leading and differentiated candidates with a focus in assets that fulfill market unmet needs and are complementary to our candidate portfolio. When selecting potential in-licensing arrangement targets, we will consider various factors, including (1) synergy with or complement to our existing and future products, (2) R&D geographic locations that can take advantage of our existing footprint and (3) growth potential. According to Frost & Sullivan, as of the Latest Practicable Date, there were approximately 100 companies in China and overseas markets which have assets that may be considered as potential targets for in-licensing, subject to further commercial consideration and assessment. As of the Latest Practicable Date, we had not identified any specific in-licensing targets.
- Approximately HK\$20.6 million, representing 5.0% of the net proceeds, will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is set at HK\$24.75 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$41.7 million. If the Offer Price is set at HK\$20.65 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$41.7 million.

If the Over-allotment Option is exercised in full, and net proceeds that we will receive will be approximately HK\$482.1 million, assuming an Offer Price of HK\$22.70 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance).

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited  
Deutsche Bank AG, Hong Kong Branch  
CLSA Limited  
Huatai Financial Holdings (Hong Kong) Limited  
CMB International Capital Limited  
BOCI Asia Limited  
UOB Kay Hian (Hong Kong) Limited  
Futu Securities International (Hong Kong) Limited  
Valuable Capital Limited  
Silverbricks Securities Company Limited  
Tiger Brokers (HK) Global Limited

### HONG KONG UNDERWRITING ARRANGEMENTS

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 2,128,400 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this Prospectus and the **GREEN** Application Form relating thereto.

Subject to (a) the Stock Exchange granting listing of, and permission to deal in, the Shares to be issued and sold pursuant to the Global Offering (including any additional Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and (b) to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this Prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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## UNDERWRITING

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### *Grounds for Termination*

The Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), shall be entitled by written notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any or a series of local, national, regional or international event(s) or circumstance(s) in the nature of force majeure (including any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic outbreaks, escalation or mutation of diseases (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Coronavirus Disease 2019 (COVID-19) and such related/mutated forms), or interruption or delay in transportation, economic sanctions, labor disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to our Group (collectively, the “**Relevant Jurisdictions**”); or
  - (ii) any change or development involving a prospective change, or any event or series of events or circumstance resulting or likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, or exchange control or any monetary or trading settlement system (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or directly or indirectly affecting any of the Relevant Jurisdictions; or
  - (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange or the London Stock Exchange; or

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## UNDERWRITING

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- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, Singapore, the European Union (or any member thereof), Japan or any of the other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (v) any new Law (as defined in the Hong Kong Underwriting Agreement) or any change or any development involving a prospective change or any event or circumstances likely to result in a change or a development involving a prospective change in (or in the interpretation or application thereof by any court or any other competent authority of) existing Laws (as defined in the Hong Kong Underwriting Agreement), in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction Laws (as defined in the Hong Kong Underwriting Agreement) or regulations, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement in, Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting Taxes (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any litigation, dispute, claim, regulatory investigation or action of any third party being threatened or instigated against any member of our Group or any Director; or
- (ix) the issue or requirement to issue by our Company of any supplement or amendment to this Prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

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## UNDERWRITING

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- (x) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity or any loss or damage sustained by that member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) any change, development involving a prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” of this Prospectus; or
- (xii) save as disclosed in this Prospectus, a contravention by any member of our Group or any Director of the Listing Rules or the applicable Laws (as defined in the Hong Kong Prospectus); or
- (xiii) non-compliance of this Prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will have or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profit, losses, results of operations, performance, position or condition, financial or otherwise, of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the Global Offering; or (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the Global Offering to proceed or to market the Global Offering or the delivery of the Offer Shares to be performed or implemented or to proceed or to market the Global Offering in the manner contemplated by the prospectus; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting of the Hong Kong Public Offering and/or the Global Offering) impracticable or incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or



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## UNDERWRITING

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- (b) there has come to the notice of the Sole Sponsor or Overall Coordinators:
- (i) any statement contained in the application proof, the post hearing information proof, the Prospectus, the **GREEN** Application Form, the formal notice and Operative Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering and the Global Offering (collectively, the “**Offer-Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offer-Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or reasonable assumptions with reference to the facts and circumstances then subsisting; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, constitute omission from, or misstatement in, any of the Offer-Related Documents (including any supplement or amendment thereto); or
  - (iii) any material breach of any of the obligations imposed upon any party under the Hong Kong Underwriting Agreement or the International Underwriting Agreement or the Cornerstone Agreement (other than upon any of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, Hong Kong Underwriters or the International Underwriters); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company or our Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
  - (v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, results of operations, performance, position or condition, financial or otherwise, of any member of our Group; or
  - (vi) any Material Adverse Change (as defined in the Hong Kong Underwriting Agreement); or

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## UNDERWRITING

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- (vii) any breach of, or any event or matter or arising or has be discovered, or circumstance rendering untrue, incorrect, incomplete or misleading, any of the representations, warranties and undertakings given by our Company and our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
- (viii) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, and the Shares to be issued or sold (including the additional Shares which may be issued upon the exercise of the Over-Allotment Option) pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), or withheld; or
- (ix) any person (other than the Sole Sponsor) has withdrawn its consent being named in this Prospectus or to the issue of any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
- (x) our Company withdraws any of the Offer Related Documents or the Global Offering; or
- (xi) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or canceled; or
- (xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the option shares) pursuant to the terms of the Global Offering; or
- (xiii) a Director, the chairman, the chief executive officer, the chief financial officer or the chief medical officer of our Company as named in this Prospectus is vacating her/his office; or
- (xiv) any Director, the chief executive officer or the chief financial officer or the chief medical officer Company as named in this Prospectus is being charged with an indictable offense or is prohibited by operation of Law (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management or taking directorship of a company or there is the commencement by any governmental, political or regulatory body of any action against any Director in his or her capacity as such, or any announcement by any governmental, political or regulatory body that it intends to take any such action; or

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## UNDERWRITING

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- (xv) an Authority or a political body or organization in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices) commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director, chairman, chief executive officer, chief financial officer or chief medical officer as named in this Prospectus; or
  
- (xvi) any order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group.

### **UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES**

#### **Undertakings by our Company**

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except pursuant to the Global Offering and the exercise of the Over-allotment Option or for the circumstances permitted under Rule 10.08 of the Listing Rules.

#### **Undertakings by our Controlling Shareholders**

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that they will not, and will procure that the relevant registered holder(s) (if any) of our Shares in which they have a beneficial interest will not:

- (a) at any time in the period commencing on the date by reference to which disclosure of their shareholdings in our Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares in respect of which our Controlling Shareholders are shown in this Prospectus to be the beneficial owners; or

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## UNDERWRITING

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- (b) at any time in the period of six months commencing from the date on which the period referred to in the above paragraph (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares to such extent that, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders will, directly or indirectly cease to be our Controlling Shareholders, provided that the above shall not prevent them from using securities of our Company beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong) for a bona fide commercial loan.

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company respectively that within the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, they will immediately inform our Company and the Stock Exchange in writing of:

- (i) any pledge(s) or charge(s) of any Shares or securities of our Company beneficially owned by them directly or indirectly in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (ii) any indication(s) received by it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

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## UNDERWRITING

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### UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

#### Undertaking by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option) or otherwise in compliance with the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company undertakes to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

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## UNDERWRITING

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In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Capital Market Intermediaries and the Hong Kong Underwriters to procure our Company and each other member of the Group to comply with the undertakings.

### **Undertaking by our Controlling Shareholders**

Each of our Controlling Shareholders hereby jointly and severally undertakes to each of the Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for it and companies controlled by it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any legal or beneficial interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares (the “**Locked-up Securities**”)), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period or the Second Six-Month Period);

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## UNDERWRITING

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- (b) it will not, during the Second Six-Month Period, enter into any transaction described in paragraphs (a)(i), (ii), (iii) or (iv) above or offer to or agree to or contract or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, another shareholder or person holding the beneficial interests in the Shares or securities of our Company becoming a controlling shareholder (as defined under the Listing Rules) of our Company.
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company;
- (d) at any time during the First Six-Month Period and the Second Six-Month Period, they or any relevant registered holder will (i) if and when it pledges or charges any Shares or other securities (or interest therein) of our Company beneficially owned by it, immediately inform our Company, the Sole Sponsor and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities of our Company so pledged or charged; and (ii) if and when it or the relevant registered holder receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Overall Coordinators in writing of such indications.

Our Company hereby undertakes to the Overall Coordinators, the Sole Sponsor and the Hong Kong Underwriters that upon receiving such information in writing from any of the Controlling Shareholders, it will, as soon as reasonably practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

### **Undertaking by the Existing Shareholders**

Each of YF Dermatology Limited, Sequoia Capital China Growth, Cormorant Private Fund, Cormorant Global Fund, LBC, Link Spirit, TK Derma Limited, CICC GF, C&D No. 7, FCSSP, Fidelity Funds, Fidelity Investment Funds, USNL and GHFFSP (the “**Existing Shareholders**”), being all the existing Shareholders of the Company other than the Controlling Shareholders, has entered into a lock-up undertaking letter (the “**Lock-up Undertakings**”) in favor of the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters). Pursuant to the Lock-up Undertakings, the Existing Shareholders are subject to lock-up arrangements for a period of six months from the Listing Date, subject to certain exceptions.

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## UNDERWRITING

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### INTERNATIONAL OFFERING

#### International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Overall Coordinators, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree severally to procure purchasers for, or failing which, to purchase the International Offer Shares being offered pursuant to the International Offering. Please refer to the paragraph headed “Structure of the Global Offering – The International Offering” in this Prospectus.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters), on or before Wednesday, July 5, 2023, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue, up to an aggregate of 3,192,200 Shares, representing in aggregate approximately 15% of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering. Please refer to the paragraph headed “Structure of the Global Offering – The International Offering – Over-allotment Option” in this Prospectus.

### COMMISSION AND EXPENSES

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission equal to 3.5% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “**Fixed Fees**”). Our Company may, at our sole and absolute discretion, pay to one or more Underwriters or Capital Market Intermediaries an incentive fee up to 1.0% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the “**Discretionary Fees**”). The ratio of Fixed Fees and Discretionary Fees payable to all Underwriters is therefore approximately 78:22. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$73.2 million in total (based on the Offer Price of HK\$22.70 per Offer Share which is the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised).



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## UNDERWRITING

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### HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this Prospectus, save for its obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right or option (whether legally enforceable or not) to purchase or subscribe for or to nominate persons to purchase or subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

### SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

### ACTIVITIES BY SYNDICATE MEMBERS

The Hong Kong Underwriters and the International Underwriters (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diverse financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the

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## UNDERWRITING

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Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited is the Sole Sponsor and the Sole Sponsor-Overall Coordinator, and China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, CLSA Limited, Huatai Financial Holdings (Hong Kong) Limited, CMB International Capital Limited and BOCI Asia Limited are the Overall Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 2,128,400 Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Offering of 19,153,400 Shares (subject to reallocation and Over-allotment Option as mentioned below) in the United States to QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 7.0% of the total issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 8.0% of the total issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “The International Offering – Over-allotment Option” in this section.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering,

but may not do both.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Underwriters and the Joint Bookrunners are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering – Reallocation and Clawback" in this section.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

Subject to reallocation as mentioned below, our Company is initially offering 2,128,400 Shares at the Offer Price under the Hong Kong Public Offering for subscription by the public in Hong Kong, representing approximately 10.0% of the 21,281,800 Shares initially available under the Global Offering. Subject to reallocation as mentioned below, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 0.7% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "Conditions of the Global Offering" in this section.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Allocation**

For allocation purposes only, the 2,128,400 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally (with any odd lots being allocated to pool A) into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **Reallocation and Clawback**

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offer Shares are fully subscribed or over-subscribed and certain prescribed total demand levels are under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 6,384,600 (in the case of (i)), 8,512,800 (in the case of (ii)), and 10,641,000 Shares (in the case of (iii)), respectively, representing approximately 30%, approximately 40%, and approximately 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition to any mandatory reallocation required as described above, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators. The Overall Coordinators may, at their sole discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Offer Shares originally in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation should not be more than 4,256,800 Shares (representing approximately 20% of the Offer Shares); and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e., HK\$20.65 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering expected to be published on Friday, June 9, 2023.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 2,128,400 Shares initially comprised in the Hong Kong Public Offering (that is 1,064,200 Hong Kong Offer Shares) will be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$24.75 per Share in addition to any brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section, is less than the maximum Offer Price of HK\$24.75 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applications, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

References in this Prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### **THE INTERNATIONAL OFFERING**

#### **Number of International Offer Shares Offered**

The number of International Offer Shares to be initially offered by us for subscription under the International Offering will consist of an initial offering of 19,153,400 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 6.3% of our total issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Allocation**

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### **Reallocation and Clawback**

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “– The Hong Kong Public Offering – Reallocation and Clawback” in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

### **Over-allotment Option**

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Overall Coordinators will have the right to require our Company to allot and issue, at the Offer Price, up to an aggregate of additional 3,192,200 Shares representing in aggregate approximately 15% of the number of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.



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## STRUCTURE OF THE GLOBAL OFFERING

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If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 1.0% of the issued share capital of our Company immediately after the completion of the Global Offering.

### **Stabilization**

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, an activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued and/or sold under the Over-allotment Option, namely 3,192,200 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

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## STRUCTURE OF THE GLOBAL OFFERING

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- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 3,192,200 Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid on the Listing Date and before the commencement of dealings, accordingly there will be no delayed settlement of the Offer Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

### **Over-Allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by exercising the Over-allotment Option in full or in part, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, June 5, 2023 and in no event later than Tuesday, June 6, 2023.

The Offer Price will be not more than HK\$24.75 per Offer Share and is currently expected not to be less than HK\$20.65 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$24.75 for each Hong Kong Offer Share together with brokerage of 1%, a Stock Exchange trading fee of 0.00565%, a SFC transaction levy of 0.0027% and an AFRC transaction levy of 0.00015%. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative price range stated in this Prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Sole Sponsor consider it appropriate, with our consent the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this Prospectus may be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Monday, June 5, 2023, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk), and on our Company’s website at [www.cutiatx.com](http://www.cutiatx.com) notice of such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in this Prospectus and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Overall Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

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## STRUCTURE OF THE GLOBAL OFFERING

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As soon as practicable after such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, and, where appropriate, extend the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who had applied for the Offer Shares to withdraw their applications.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Overall Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this Prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn. All applicants who have already submitted an application will be entitled to withdraw their applications and will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus. All unconfirmed applications will not be valid.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Overall Coordinators and the Sole Sponsor.

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on Friday, June 9, 2023 through a variety of channels described in the paragraph headed “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this Prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Company will, on or about Monday, June 5, 2023, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this Prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been agreed between the Overall Coordinators (on behalf of the Underwriters) and our Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- our Company having submitted to HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

If for any reason, the Offer Price is not agreed by Tuesday, June 6, 2023 between us and the Overall Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the websites of our Company at [www.cutiatx.com](http://www.cutiatx.com), and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), respectively on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus. In the meantime, the application monies will be held in separate bank account(s) with our Company’s receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Friday, June 9, 2023 but will only become valid evidence of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Monday, June 12, 2023, provided that (i) the Global Offering has become unconditional in all respects at or before that time and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid evidence of title do so entirely at their own risk.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 12, 2023, it is expected that dealings in Shares on the Stock Exchange will commence on Monday, June 12, 2023. Shares will be traded in board lots of 200 each and the stock code will be 2487.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this Prospectus or any printed copies of any application forms for use by the public.**

This Prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.cutiatx.com](http://www.cutiatx.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

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

#### 1. HOW TO APPLY

**We will not provide any printed application forms for use by the public.**

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. WHO CAN APPLY

### Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

The number of joint applicants may not exceed four.

If you are a firm, the application must be in the individual members’ names.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- (a) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- (b) have a Hong Kong address; and
- (c) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

### 3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this Prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Overall Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Joint Global Coordinators, the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Overall Coordinators, the Underwriters and the Capital Market Intermediaries nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any **HK eIPO White Form** e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "14. Despatch/Collection of Share Certificates and Refund Monies – Personal Collection" in this Prospectus to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to **HKSCC** or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person giving **electronic application instructions** to **HKSCC** or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for	
Amount payable on application HK\$		Amount payable on application HK\$		Amount payable on application HK\$		Amount payable on application HK\$	
200	4,999.92	3,000	74,998.81	40,000	999,984.16	500,000	12,499,801.88
400	9,999.84	4,000	99,998.41	50,000	1,249,980.19	600,000	14,999,762.26
600	14,999.76	5,000	124,998.02	60,000	1,499,976.23	700,000	17,499,722.63
800	19,999.68	6,000	149,997.62	70,000	1,749,972.27	800,000	19,999,683.00
1,000	24,999.61	7,000	174,997.23	80,000	1,999,968.30	900,000	22,499,643.38
1,200	29,999.52	8,000	199,996.84	90,000	2,249,964.33	1,064,200 <sup>(1)</sup>	26,604,578.31
1,400	34,999.45	9,000	224,996.43	100,000	2,499,960.38		
1,600	39,999.37	10,000	249,996.03	200,000	4,999,920.76		
1,800	44,999.29	20,000	499,992.08	300,000	7,499,881.13		
2,000	49,999.21	30,000	749,988.11	400,000	9,999,841.50		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

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

### 5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

#### General

Applicants who meet the criteria in the paragraph headed “– 2. Who can apply” in this section may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allocated and registered in their own names in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, May 31, 2023 until 11:30 a.m. on Monday, June 5, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, June 5, 2023 or such later time under the paragraph headed “– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

### No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this document acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

## 6. APPLYING THROUGH THE CCASS EIPO SERVICE

### General

You may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Overall Coordinators and our Hong Kong Share Registrar.

### Applying through the CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Overall Coordinators, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to this Prospectus);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Overall Coordinators, the Underwriters, the Capital Market Intermediaries and/or their respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum of Association, the Articles of Association and the Cayman Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Applying through the CCASS EIPO service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this Prospectus.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, May 31, 2023 – 9:00 a.m. to 8:30 p.m.
- Thursday, June 1, 2023 – 8:00 a.m. to 8:30 p.m.
- Friday, June 2, 2023 – 8:00 a.m. to 8:30 p.m.
- Monday, June 5, 2023 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, May 31, 2023 until 12:00 noon on Monday, June 5, 2023 (24 hours daily, except on Monday, June 5, 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, June 5, 2023, the last application day or such later time as described in the paragraph headed “– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

*Note:*

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

### Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Overall Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

### *Personal Information Collection Statement*

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and our Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Transfer of personal data*

Personal data held by our Company and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or our Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

Our Company and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this Prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Underwriters and the Capital Market Intermediaries take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, June 5, 2023, the last application day, or such time as described in the paragraph headed “– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

### 8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked “For Nominees”, you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application for your benefit through the **CCASS EIPO** service and/or the **HK eIPO White Form** service, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Our Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

With regard to the section headed “Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS” in the announcement of results of allocations to be issued by the Company, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$24.75 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK\$4,999.92.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in “– 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC, respectively).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering – Pricing of the Global Offering” in this Prospectus.

### 10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Monday, June 5, 2023. Instead they will open between 11:45 am and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 am and 12:00 noon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the application lists do not open and close on Monday, June 5, 2023 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this Prospectus, an announcement will be made on our website at [www.cutiatx.com](http://www.cutiatx.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, June 9, 2023 on our website at [www.cutiatx.com](http://www.cutiatx.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our website at [www.cutiatx.com](http://www.cutiatx.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 am on Friday, June 9, 2023;
- from “IPO Results” function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) (alternatively: [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult)) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Friday, June 9, 2023 to 12:00 midnight on Thursday, June 15, 2023; and
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, June 9, 2023, to Wednesday, June 14, 2023 (excluding Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this Prospectus; or
- (b) if any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**(ii) If the Company or its agents exercise their discretion to reject your application:**

Our Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Overall Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “Structure of the Global Offering – Conditions of the Global Offering” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Friday, June 9, 2023.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Friday, June 9, 2023. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, June 12, 2023 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this Prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### ***(i) If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheques (where applicable) from our Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, June 9, 2023, or such other date as notified by our Company in the newspapers.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your Share certificate(s) and/or refund cheques (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheques (where applicable) will be sent to the address specified in your application instructions on or before Friday, June 9, 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of **HK eIPO White Form** e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

*(ii) If you apply through the CCASS EIPO service*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on Friday, June 9, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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paragraph headed “– 11. Publication of Results” in this section on Friday, June 9, 2023. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 9, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, June 9, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, June 9, 2023.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



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

安永會計師事務所  
香港鰂魚涌英皇道979號  
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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CUTIA THERAPEUTICS AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

### Introduction

We report on the historical financial information of Cutia Therapeutics (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-60, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021 and 2022 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021 and 2022 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 May 2023 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

### **Dividends**

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

31 May 2023

**I. HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2021 RMB'000	2022 RMB'000
Revenue	5	2,038	11,366
Cost of sales		<u>(428)</u>	<u>(3,428)</u>
Gross profit		1,610	7,938
Other income and gains	5	9,517	105,696
Selling and distribution expenses		(6,292)	(35,934)
Research and development costs		(110,558)	(180,756)
Administrative expenses		(64,745)	(100,452)
Fair value losses on convertible redeemable preferred shares		(120,330)	(327,097)
Other expenses	6	(28,224)	–
Finance costs	8	(559)	(1,728)
Listing expenses		<u>–</u>	<u>(23,503)</u>
LOSS BEFORE TAX	7	(319,581)	(555,836)
Income tax expense	11	<u>–</u>	<u>–</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(319,581)</u></u>	<u><u>(555,836)</u></u>
Attributable to:			
Owners of the parent		<u><u>(319,581)</u></u>	<u><u>(555,836)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	<u><u>(3.99)</u></u>	<u><u>(6.94)</u></u>



## Consolidated Statements of Financial Position

	Notes	As at 31 December	
		2021 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	26,242	179,398
Right-of-use assets	15	24,547	49,610
Other intangible assets		217	597
Amounts due from related parties	27	14,205	36,554
Prepayments, other receivables and other assets	16	27,945	35,221
<b>Total non-current assets</b>		<u>93,156</u>	<u>301,380</u>
<b>CURRENT ASSETS</b>			
Inventories	17	1,804	19,996
Trade receivables		–	98
Prepayments, other receivables and other assets	16	21,153	47,584
Amounts due from related parties	27	498	1,240
Financial assets at fair value through profit or loss (“FVTPL”)	18	405,492	43,496
Time deposits over three months	19	769,648	567,145
Cash and cash equivalents	19	203,130	465,866
<b>Total current assets</b>		<u>1,401,725</u>	<u>1,145,425</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	15,535	68,572
Lease liabilities	15	3,715	8,830
<b>Total current liabilities</b>		<u>19,250</u>	<u>77,402</u>
<b>NET CURRENT ASSETS</b>		<u>1,382,475</u>	<u>1,068,023</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,475,631</u>	<u>1,369,403</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	15	22,816	45,298
Deferred income		400	400
Convertible redeemable preferred shares	21	2,242,924	2,570,021
<b>Total non-current liabilities</b>		<u>2,266,140</u>	<u>2,615,719</u>
<b>Net liabilities</b>		<u>(790,509)</u>	<u>(1,246,316)</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	22	11	11
Deficits	23	(790,520)	(1,246,327)
<b>Total deficits</b>		<u>(790,509)</u>	<u>(1,246,316)</u>

## Consolidated Statements of Changes in Equity

*Year ended 31 December 2021*

	Ordinary share capital <i>RMB'000</i>	Share premium* <i>RMB'000</i>	Share option reserve* <i>RMB'000</i>	Other reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Total deficits <i>RMB'000</i>
At 1 January 2021	11	259,156	20,335	(680,845)	(110,695)	(512,038)
Loss and total comprehensive loss for the year	-	-	-	-	(319,581)	(319,581)
Recognition of share- based payment expenses ( <i>note 24</i> )	-	-	41,110	-	-	41,110
At 31 December 2021	<u>11</u>	<u>259,156</u>	<u>61,445</u>	<u>(680,845)</u>	<u>(430,276)</u>	<u>(790,509)</u>

*Year ended 31 December 2022*

	Ordinary share capital <i>RMB'000</i>	Share premium* <i>RMB'000</i>	Share option reserve* <i>RMB'000</i>	Other reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Total deficits <i>RMB'000</i>
At 1 January 2022	11	259,156	61,445	(680,845)	(430,276)	(790,509)
Loss and total comprehensive loss for the year	-	-	-	-	(555,836)	(555,836)
Recognition of share-based payment expenses ( <i>note 24</i> )	-	-	100,029	-	-	100,029
At 31 December 2022	<u>11</u>	<u>259,156</u>	<u>161,474</u>	<u>(680,845)</u>	<u>(986,112)</u>	<u>(1,246,316)</u>

- The deficits accounts comprised of RMB(790,520,000) and RMB(1,246,327,000) in the consolidated statements of financial position as at the end of each of the Relevant Periods.

## Consolidated Statements of Cash Flows

	Notes	Year ended 31 December	
		2021 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(319,581)	(555,836)
Adjustments for:			
Interest income	5	(6,113)	(17,371)
Finance costs	8	559	1,728
Depreciation of property, plant and equipment	7	5,772	10,779
Depreciation of right-of-use assets	7	3,868	7,917
Amortisation of other intangible assets	7	153	224
Gain on termination of a lease contract	5	(157)	–
Fair value losses/(gains) on financial assets at FVTPL	5, 6	5,196	(7,675)
Fair value losses on convertible redeemable preferred shares	7	120,330	327,097
Net foreign exchange losses/(gains)	5, 6	23,028	(73,979)
Share-based payment expenses	7	41,110	100,029
		<u>(125,835)</u>	<u>(207,087)</u>
Increase in prepayments, other receivables and other assets		(28,126)	(24,391)
Increase in amounts due from related parties		(4,531)	(7,982)
Increase in inventories		(1,804)	(18,192)
Increase in trade receivables		–	(98)
Increase in trade and other payables		419	21,560
		<u>(159,877)</u>	<u>(236,190)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,517	6,469
Purchases of items of property, plant and equipment		(24,319)	(134,353)
Purchases of items of other intangible assets		(1,569)	(959)
Advances of loans to related parties		(10,143)	(14,377)
Advances of loans to employees		(1,087)	(3,735)
Placement of time deposits		(257,226)	(539,691)
Withdrawal of time deposits		154,226	779,040
Placement of pledged bank deposits		–	(992)
Withdrawal of pledged bank deposits		–	992
Placement of financial assets at FVTPL		(535,966)	(381,643)
Withdrawal of financial assets at FVTPL		263,914	751,314
		<u>(410,653)</u>	<u>462,065</u>
Net cash flows (used in)/from investing activities			

	<i>Notes</i>	Year ended 31 December	
		2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible redeemable preferred shares	21	483,994	–
Payment for rental deposits		(411)	(985)
Proceeds from rental deposits refund		263	–
Lease payments	15	(3,085)	(6,884)
Issue costs paid		–	(2,380)
		<u>480,761</u>	<u>(10,249)</u>
Net cash flows from/(used in) financing activities			
		<u>480,761</u>	<u>(10,249)</u>
NET (DECREASE)/INCREASE IN CASH AND			
CASH EQUIVALENTS			
		(89,769)	215,626
Cash and cash equivalents at beginning of year		300,170	203,130
Effect of foreign exchange rate changes, net		(7,271)	47,110
		<u>203,130</u>	<u>465,866</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u><u>203,130</u></u>	<u><u>465,866</u></u>

## Statements of Financial Position of the Company

	Notes	As at 31 December	
		2021 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	1	670,210	1,096,128
<b>Total non-current assets</b>		670,210	1,096,128
<b>CURRENT ASSETS</b>			
Prepayments, other receivables and other assets	16	679	6,666
Amount due from a subsidiary		24	24
Financial assets at FVTPL	18	385,415	3,291
Time deposits over three months	19	769,648	567,145
Cash and cash equivalents	19	2,394	324,559
<b>Total current assets</b>		1,158,160	901,685
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	–	18,729
Amounts due to subsidiaries	27	641	8,647
<b>Total current liabilities</b>		641	27,376
<b>NET CURRENT ASSETS</b>		1,157,519	874,309
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,827,729	1,970,437
<b>NON-CURRENT LIABILITIES</b>			
Convertible redeemable preferred shares	21	2,242,924	2,570,021
<b>Total non-current liabilities</b>		2,242,924	2,570,021
<b>Net liabilities</b>		(415,195)	(599,584)
<b>EQUITY</b>			
Share capital	22	11	11
Deficits	23	(415,206)	(599,595)
<b>Total deficits</b>		(415,195)	(599,584)

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. Corporate Information

Cutia Therapeutics (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2019. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cutia Therapeutics (HK) Limited (“ <b>Cutia HK</b> ”) (科笛生物醫藥(香港)有限公司) (note a)	Hong Kong 30 May 2019	USD1	100%	–	Cross-border operational matters and product commercialisation of the Group
Cutia Therapeutics (Shanghai) Co., Ltd.* (“ <b>Cutia Shanghai</b> ”) (科笛生物醫藥(上海)有限公司) (note b)	Mainland China 3 July 2019	USD90,086,747	–	100%	Product research and development
Aurora Cutis Medical Technology (Shanghai) Co., Ltd.* (“ <b>Aurora Cutis</b> ”) (晨笛醫藥科技(上海)有限公司) (note b)	Mainland China 11 November 2020	USD8,000,000	–	100%	Commercialisation of the self-developed products in the domestic market
Cutia Therapeutics (Wuxi) Co., Ltd.* (“ <b>Cutia Wuxi</b> ”) (科笛生物醫藥(無錫)有限公司) (note b)	Mainland China 4 December 2020	USD100,000,000	–	100%	Product manufacture
Chongqing Lehao Pharmaceutical Co., Ltd.* (“ <b>Chongqing Lehao</b> ”) (重慶樂豪醫藥有限公司) (note c)	Mainland China 24 August 2022	RMB100,000,000	–	100%	Commercialisation of the dermatoses pharmaceutical products developed by third-party manufacturer or the Group in the domestic market

## Notes:

- a. The financial statements of this entity for the year ended 31 December 2021 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard (“**SME-FRS**”) issued by the Hong Kong Institute of Certified Public Accountants were audited by Tai Wan Sang & Co., certified public accountants registered in Hong Kong.

- b. The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared in accordance with Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the People's Republic of China ("PRC").
- c. In November 2022, the Group acquired a 100% equity interest in Chongqing Lehao which has no substantial business from two third-party individual owners at the consideration of RMB200.
- \* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to directly translate their Chinese names as they did not register any official English names.

## 2.1 Basis of Preparation

Notwithstanding that the Group recorded net liabilities of RMB1,246,316,000 and continually incurred losses from operations, it recorded net current assets of RMB1,068,023,000 and hence, the Historical Financial Information has been prepared on a going concern basis. The directors have reviewed the Group's cash flow projections, which cover a period of at least twelve months from 31 December 2022. The directors are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from 31 December 2022.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB").

All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

### *Basis of Consolidation*

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Issued But Not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>2,3</sup>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> <sup>5</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>4, 6</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>4</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>4</sup>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>5</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17.

<sup>6</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. The Group expects that the application of the amendments will result in that the convertible redeemable preferred shares will be classified as current liabilities. So far, the Group has expected that other new and revised IFRSs will not have a significant effect on the Group's financial performance and financial position.



### 2.3 Summary of Significant Accounting Policies

#### *Fair value measurement*

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

#### *Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

***Related parties***

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery and equipment	9% to 18%
Office and electronic equipment	18% to 30%
Motor vehicles	23%
Leasehold improvements	The lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### ***Intangible assets (other than goodwill)***

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets are amortised on the straight-line basis over the following useful economic life, which is determined by the expected usage period after considering technical obsolescence and estimates of useful lives of similar assets:

Software	2-3 years
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#### ***Research and development costs***

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

#### ***Leases***

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **(a) Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	12 years
Office premises	1.5 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statements of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### *Investments and other financial assets*

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

*Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date during the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, or making reference to the credit loss experience of similar companies in the market where the Group has not had sufficient credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Financial liabilities**Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and convertible redeemable preferred shares.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include convertible redeemable preferred shares which are designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities. Details of the Group's convertible redeemable preferred shares as at fair value through profit or loss are included in note 21 to the Historical Financial Information.

#### *Financial liabilities at amortised cost*

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the moving weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### *Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

*Income tax*

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

*Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systemic basis over the periods that the costs, for which it is intended to compensate, are expensed.



**Revenue recognition***Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*Sale of products*

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products to the specific location and upon the confirmation by the customer.

*Right of return*

For contracts which provide a customer with a right to return the products within a specific period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

*Other income*

Bank interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Share-based payments**

The Company operates an equity incentive plan (the “**Pre-IPO Equity Incentive Plan**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 24 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

#### ***Other Employee benefits***

##### *Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group's subsidiary which operates in Hong Kong operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

##### *Foreign currencies*

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group uses RMB as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

### 3. Significant Accounting Judgements And Estimates

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### *Judgements*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Research and development costs*

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

#### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Useful lives and residual values of property, plant and equipment*

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

#### *Accrual of research and development costs*

The Group relies on contract research organisations, clinical site management operators and clinical trial centres (collectively referred as "Outsourced Service Providers") to conduct, supervise, and monitor the Group's ongoing clinical trials in the PRC. Determining the amounts of research and development costs incurred up to the end of each of the Relevant Periods requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrollments, time elapsed and milestone achieved.

#### *Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

*Fair value of convertible redeemable preferred shares*

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability (“**DLOM**”) and volatility, which are subject to uncertainty.

The fair values of convertible redeemable preferred shares as at the end of each of the Relevant Periods were RMB2,242,924,000 and RMB2,570,021,000, respectively. Further details are included in note 21 to the Historical Financial Information.

*Fair value of share-based payment transactions*

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 24 to the Historical Financial Information.

#### 4. Operating Segment Information

*Operating segment information*

For management purposes, the Group has only one reportable operating segment, which is developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

*Geographical information*

During the Relevant Periods, all of the Group’s revenue was derived from customers located in the PRC and nearly all of the Group’s non-current assets were located in the Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operation Segments*.

*Information about major customers*

Revenue derived from sales to customers, which amounted to more than 10% of the Group’s revenue for the years ended 31 December 2021 and 2022, is as follows:

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Customer A	381	4,473

## 5. Revenue, Other Income And Gains

An analysis of revenue is as follows:

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>		
Sale of products		
– at a point in time	2,038	11,366

There was no revenue recognised during the Relevant Periods that was included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods. Under the practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

*Performance obligations**Sale of products*

The performance obligation is satisfied upon delivery of products to the customers' specific locations and confirmation by the customers. The payment is generally made upon confirmation by the customers or due within 30 days from the acceptance by the customers.

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
<u>Other income</u>		
Government grants*	3,185	6,252
Bank interest income	6,081	16,447
Imputed interest income on rental and other deposits	–	26
Deemed interest income from loans to employees	3	166
Deemed interest income from the loans to related parties (note 27)	29	732
Others	62	419
	9,360	24,042
<u>Gains</u>		
Foreign exchange gains, net	–	73,979
Gain on termination of a lease contract	157	–
Fair value gains on financial assets at FVTPL	–	7,675
	157	81,654
	9,517	105,696

\* The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled conditions relating to these government grants.

**6. OTHER EXPENSES**

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Foreign exchange losses, net	23,028	–
Fair value losses on financial assets at FVTPL	5,196	–
	<u>28,224</u>	<u>–</u>

**7. Loss Before Tax**

The Group's loss before tax is arrived at after charging/ (crediting):

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Cost of sales	428	3,428
Cost of inventories recognised as expense (included in research and development costs)	1,352	1,818
Research and development costs	110,558	180,756
Depreciation of property, plant and equipment	5,772	10,779
Depreciation of right-of-use assets	3,868	7,917
Amortisation of other intangible assets	153	224
Gain on termination of a lease contract	(157)	–
Government grants	(3,185)	(6,252)
Fair value losses/(gains) on financial assets at FVTPL	5,196	(7,675)
Listing expenses	–	23,503
Fair value losses on convertible redeemable preferred shares	120,330	327,097
Foreign exchange differences, net	23,028	(73,979)
Staff costs (including directors' emoluments):		
– Salaries, bonuses, allowances and benefits in kind	41,500	74,088
– Pension scheme contributions	3,036	5,619
– Share-based payment expenses	41,110	100,029
	<u>85,646</u>	<u>179,736</u>
Auditors' remuneration	54	291
Lease payments not included in the measurement of lease liabilities	625	176
	<u>625</u>	<u>176</u>

**8. Finance Costs**

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Interest on lease liabilities	559	1,728
	<u>559</u>	<u>1,728</u>

### 9. Directors' And Chief Executive's Remuneration

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2021 RMB'000	2022 RMB'000
Fees	—	—
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	3,089	4,285
Pension scheme contributions	58	67
Share-based payment expenses	23,884	18,886
	<u>27,031</u>	<u>23,238</u>

#### (a) Executive directors, non-executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2021				
Executive director and chief executive officer:				
Ms. Zhang Lele (note (i))	3,089	58	23,884	27,031
Non-executive directors:				
Dr. Chen Lianyong (note (ii))	—	—	—	—
Dr. Xie Qin (note (ii))	—	—	—	—
Mr. Huang Xiao (note (iii))	—	—	—	—
Ms. Yang Yunxia (note (iii))	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,089</u>	<u>58</u>	<u>23,884</u>	<u>27,031</u>

	Salaries, bonuses, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Share-based payment expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022				
Executive directors and chief executive officer:				
Ms. Zhang Lele ( <i>note (i)</i> )	3,763	65	17,239	21,067
Mr. Huang Yuqing ( <i>note (iv)</i> )	522	2	1,647	2,171
	<u>4,285</u>	<u>67</u>	<u>18,886</u>	<u>23,238</u>
Non-executive directors:				
Dr. Chen Lianyong ( <i>note (ii)</i> )	–	–	–	–
Dr. Xie Qin ( <i>note (ii)</i> )	–	–	–	–
Mr. Huang Xiao ( <i>note (iii)</i> )	–	–	–	–
Ms. Yang Yunxia ( <i>note (iii)</i> )	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>4,285</u>	<u>67</u>	<u>18,886</u>	<u>23,238</u>

## Notes:

- (i) Ms. Zhang Lele was appointed as the director of the Company with effect from 12 May 2020 and re-designated as the executive director of the Company with effect from 15 November 2022. Ms. Zhang Lele was also the chief executive of the Company with effective from September 2019 and her remuneration disclosed above included the remuneration for the services rendered by her as the chief executive.
- (ii) Dr. Chen Lianyong and Dr. Xie Qin were appointed as the directors of the Company with effect from 23 August 2019 and re-designated as the non-executive directors of the Company with effect from 15 November 2022.
- (iii) Mr. Huang Xiao and Ms. Yang Yunxia were appointed as the directors of the Company with effect from 26 August 2020 and re-designated as the non-executive directors of the Company with effect from 15 November 2022.
- (iv) Mr. Huang Yuqing was appointed as the executive director of the Company with effective from 15 November 2022. The amounts disclosed in this note represented the remuneration of Mr. Huang Yuqing in respect of his qualifying services as an executive director from 15 November 2022 to 31 December 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, certain directors were granted share options and restricted share units, in respect of their services to the Group, under the equity incentive plan of the Company, further details of which are set out in note 24 to the Historical Financial Information. The fair value of such share options and restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors' and chief executive's remuneration disclosures.



**10. Five Highest Paid Employees**

The five highest paid employees during the years ended 31 December 2021 and 2022 included one director and two directors, respectively, the details of whose remuneration are set out in note 9 above. In addition, included in the five highest paid employees for the year ended 31 December 2022 was an individual being appointed as a director during the year ended 31 December 2022. The total remuneration of this individual for the year ended 31 December 2022, including the remuneration in respect of his qualifying services as a director, is comprised of salaries, bonuses, allowances and benefits in kind of RMB4,178,000, pension scheme contribution of RMB15,000 and share-based payment expenses of RMB11,298,000, respectively. Details of the remuneration for the years ended 31 December 2021 and 2022 of the remaining four and three highest paid employees, respectively, who are neither a director nor chief executive of the Company are as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	7,372	5,833
Pension scheme contributions	205	174
Share-based payment expenses	8,144	24,521
	<u>15,721</u>	<u>30,528</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>No. of employees</i>	<i>No. of employees</i>
HKD3,000,001 to HKD3,500,000	2	–
HKD5,000,001 to HKD5,500,000	1	–
HKD7,000,001 to HKD7,500,000	1	–
HKD11,000,001 to HKD11,500,000	–	2
HKD13,000,001 to HKD13,500,000	–	1
	<u>4</u>	<u>3</u>

During the Relevant Periods, share options and restricted share units were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 24 to the Historical Financial Information. The fair value of such options and restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

**11. Income Tax**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

***Cayman Islands***

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed on the Company.

***Hong Kong***

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

***Mainland China***

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income during the Relevant Periods.

Pursuant to the relevant CIT Law, Cutia Shanghai and Cutia Wuxi enjoyed a super deduction of 175% and 200%, respectively, on qualifying research and development expenditures during the Relevant Periods. In addition, Cutia Shanghai enjoyed a super deduction of 200% on qualifying research and development expenditures during the three months from 1 October 2022 to 31 December 2022.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and its major subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	(319,581)	(555,836)
Tax at the statutory tax rate (25%)	(79,895)	(138,959)
Tax effect of expenses not deductible for tax purposes	47,761	88,524
Additional deductible allowance for research and development expenses	(11,905)	(15,849)
Tax effect of tax losses not recognised	43,206	60,580
Tax effect of deductible temporary differences not recognised	833	4,378
Effect of different tax rate of subsidiaries operating in other jurisdictions	–	1,326
	<u>–</u>	<u>–</u>
Tax charge at the Group's effective rate	<u>–</u>	<u>–</u>

The Group has tax losses arising in Hong Kong of approximately nil and RMB15,600,000 as at the end of each of the Relevant Periods that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The Group has accumulated tax losses in Mainland China of RMB260,331,000 and RMB492,355,000 in aggregate as at the end of each of the Relevant Periods that would expire in one to five years for offsetting against future taxable profits of the company in which the losses arose.

The Group has unrecognised deductible temporary differences of RMB3,732,000 and RMB21,245,000 as at the end of each of the Relevant Periods. The unrecognised deductible temporary differences are mainly related to the advertising and promotional expenses that exceeding 15% of the revenue for the current tax year which is allowed to be carried forward to the following tax years for deduction within the deduction limit.

Deferred tax assets have not been recognised in respect of these losses and temporary differences as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

## 12. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

## 13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts for the Relevant Periods is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue after taking into account the retrospective adjustments on the assumption that the Share Subdivision as disclosed in note 31 had been in effect on 1 January 2021.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the impact of convertible redeemable preferred shares, share options and restricted share units had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent, for the purpose of calculating basic and diluted loss per share (RMB'000):	(319,581)	(555,836)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	80,045,710	80,045,710
Loss per share (basic and diluted) (RMB per share)	<u>(3.99)</u>	<u>(6.94)</u>

## 14. Property, Plant and Equipment

	Machinery and equipment <i>RMB'000</i>	Office and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress ("CIP") <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2021</b>						
At 1 January 2021:						
Cost	8,239	345	–	373	6,964	15,921
Accumulated depreciation	(203)	(43)	–	(307)	–	(553)
Net carrying amount	<u>8,036</u>	<u>302</u>	<u>–</u>	<u>66</u>	<u>6,964</u>	<u>15,368</u>
At 1 January 2021, net of accumulated depreciation	8,036	302	–	66	6,964	15,368
Additions	5,707	596	374	414	9,555	16,646
Transfer from CIP	4,116	–	–	12,374	(16,490)	–
Depreciation provided during the year	(1,939)	(200)	(7)	(3,626)	–	(5,772)
At 31 December 2021, net of accumulated depreciation	<u>15,920</u>	<u>698</u>	<u>367</u>	<u>9,228</u>	<u>29</u>	<u>26,242</u>
At 31 December 2021:						
Cost	18,062	941	374	13,161	29	32,567
Accumulated depreciation	(2,142)	(243)	(7)	(3,933)	–	(6,325)
Net carrying amount	<u>15,920</u>	<u>698</u>	<u>367</u>	<u>9,228</u>	<u>29</u>	<u>26,242</u>
	Machinery and equipment <i>RMB'000</i>	Office and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	CIP <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2022</b>						
At 1 January 2022:						
Cost	18,062	941	374	13,161	29	32,567
Accumulated depreciation	(2,142)	(243)	(7)	(3,933)	–	(6,325)
Net carrying amount	<u>15,920</u>	<u>698</u>	<u>367</u>	<u>9,228</u>	<u>29</u>	<u>26,242</u>
At 1 January 2022, net of accumulated depreciation	15,920	698	367	9,228	29	26,242
Additions	29,727	1,730	514	–	131,964	163,935
Transfer from CIP	1,550	–	–	123,217	(124,767)	–
Depreciation provided during the year	(3,507)	(317)	(172)	(6,783)	–	(10,779)
At 31 December 2022, net of accumulated depreciation	<u>43,690</u>	<u>2,111</u>	<u>709</u>	<u>125,662</u>	<u>7,226</u>	<u>179,398</u>
At 31 December 2022:						
Cost	49,339	2,671	888	136,378	7,226	196,502
Accumulated depreciation	(5,649)	(560)	(179)	(10,716)	–	(17,104)
Net carrying amount	<u>43,690</u>	<u>2,111</u>	<u>709</u>	<u>125,662</u>	<u>7,226</u>	<u>179,398</u>

As at the end of each of the Relevant Periods, there were no pledged property, plant and equipment.

## 15. Leases

*The Group as a lessee*

The Group has lease contracts for various items of plant and office premises used in its operations. Leases of plant generally have lease terms of 12 years, while office premises generally have lease terms between 1.5 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amount of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	<b>Plant</b> <i>RMB'000</i>	<b>Office premises</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at 31 December 2021</b>			
As at 1 January 2021	–	8,353	8,353
Additions	19,717	1,881	21,598
Depreciation charge	(411)	(3,457)	(3,868)
Termination of a lease contract	–	(1,536)	(1,536)
	<u>19,306</u>	<u>5,241</u>	<u>24,547</u>
As at 31 December 2021	<u>19,306</u>	<u>5,241</u>	<u>24,547</u>
<b>As at 31 December 2022</b>			
As at 1 January 2022	19,306	5,241	24,547
Additions	–	32,980	32,980
Depreciation charge	(1,643)	(6,274)	(7,917)
	<u>17,663</u>	<u>31,947</u>	<u>49,610</u>
As at 31 December 2022	<u>17,663</u>	<u>31,947</u>	<u>49,610</u>

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	<b>As at 31 December</b>	
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>
Carrying amount at 1 January	9,152	26,531
New leases	21,598	32,753
Accretion of interest recognised during the year	559	1,728
Termination of a lease contract	(1,693)	–
Payments	(3,085)	(6,884)
	<u>26,531</u>	<u>54,128</u>
Carrying amount at the end of the year	<u>26,531</u>	<u>54,128</u>
Analysed into:		
Current portion	3,715	8,830
Non-current portion	22,816	45,298
	<u>26,531</u>	<u>54,128</u>

The maturity analysis of lease liabilities is disclosed in note 30 to the Historical Financial Statement.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Interest on lease liabilities	559	1,728
Depreciation charge of right-of-use assets	3,868	7,917
Gain on termination of a lease contract	(157)	–
Expenses relating to short-term leases	610	128
Expenses relating to low-value assets	15	48
	<u>4,895</u>	<u>9,821</u>
Total amount recognised in profit or loss	<u><u>4,895</u></u>	<u><u>9,821</u></u>

(d) The total cash outflow for leases is disclosed in note 25(c) to the Historical Financial Information.

#### 16. Prepayments, Other Receivables and Other Assets

##### The Group

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Non-current:		
Loans to employees*	1,090	4,991
Deemed prepaid remuneration to employees*	446	2,307
Rental and other deposits	2,302	3,538
Value-added tax recoverable	10,810	12,747
Prepayments for purchase of items of other intangible assets	1,199	497
Prepayments for purchase of items of property, plant and equipment	<u>12,098</u>	<u>11,141</u>
	<u><u>27,945</u></u>	<u><u>35,221</u></u>
Current:		
Rental deposits	457	593
Deemed prepaid remuneration to employees*	53	244
Prepayments	20,642	37,756
Other receivables	1	58
Value-added tax recoverable	–	2,725
Deferred issue costs	<u>–</u>	<u>6,208</u>
	<u><u>21,153</u></u>	<u><u>47,584</u></u>

\* The Group provided unsecured and non-interest-bearing loans of RMB1,589,000, RMB5,280,000 and RMB673,000 to employees in December 2021, March 2022 and December 2022, respectively, with terms ranging from 7.5 years to 10 years. On initial recognition, the receivables were measured at fair value, which in this case were equal to the loan amount given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amounts and their fair value was treated as deemed prepaid remuneration to employees and was amortised through the expected service period over the loan terms.

*The Company*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Current:		
Prepayments	679	458
Deferred issue costs	—	6,208
	<u>679</u>	<u>6,666</u>

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables for which there were no recent history of default and past due amounts. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the ECLs in respect of these balances are minimal.

**17. Inventories***The Group*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Raw materials	698	1,376
Finished goods	1,106	18,620
	<u>1,804</u>	<u>19,996</u>

**18. Financial Assets at FVTPL***The Group*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Financial products	405,492	43,496

*The Company*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Financial products	385,415	3,291

The amount represented short-term investments issued by banks with no predetermined or guaranteed return which are not principal protected investments. The financial products are with expected rates of return (not guaranteed), depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. The expected return rates ranged from 1.4%~3.3% and 2.90%~3.10% per annum, respectively, at the end of each of the Relevant Periods.

## 19. Time Deposits Over Three Months/Cash and Cash Equivalents

*Time deposits over three months**The Group*

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits over three months	769,648	567,145
	<u>769,648</u>	<u>567,145</u>
Denominated in United States dollars ("USD")	769,648	567,145
	<u>769,648</u>	<u>567,145</u>

*The Company*

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits over three months	769,648	567,145
	<u>769,648</u>	<u>567,145</u>
Denominated in USD	769,648	567,145
	<u>769,648</u>	<u>567,145</u>

The time deposits are placed with banks in the PRC with a term of over three months upon placement, which carry interest at a fixed rate between 0.45% to 0.84% and 3.574%/4.50% per annum, respectively, at the end of each of the Relevant Periods.

*Cash and cash equivalents**The Group*

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	203,130	465,866
	<u>203,130</u>	<u>465,866</u>
Denominated in RMB	3,530	381,658
USD	199,600	84,208
	<u>199,600</u>	<u>84,208</u>

*The Company*

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	2,394	324,559
	<u>2,394</u>	<u>324,559</u>
Denominated in RMB	–	320,236
USD	2,394	4,323
	<u>2,394</u>	<u>4,323</u>



The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks amortised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## 20. Trade and Other Payables

### *The Group*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Trade payables	335	–
Accrued expenses for research and development services	7,329	6,021
Payables for purchase of items of property, plant and equipment	608	28,176
Other payables	1,781	2,943
Salary and bonus payables	4,856	11,859
Other taxes payable	626	960
Accrued listing expenses	–	18,613
	<u>15,535</u>	<u>68,572</u>

### *The Company*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Other payables	–	116
Accrued listing expenses	–	18,613
	<u>–</u>	<u>18,729</u>

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

### *The Group*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Within 3 months	265	–
3 months to 1 year	70	–
	<u>335</u>	<u>–</u>

Trade and other payables are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in trade and other payables as at the end of each of the Relevant Periods approximated to their fair values due to their short-term maturities.

## 21. Convertible Redeemable Preferred Shares

In August 2019, the Company entered into a purchase agreement of series A-1 convertible preferred shares with 6Dimensions Capital, L.P. and 6Dimensions Affiliates Fund, L.P. (collectively referred to as the “**Offshore Investors**”), pursuant to which the Company issued 5,000,000 series A-1 convertible preferred shares with a par value of USD0.0001 each (“**Series A-1 Convertible Preferred Shares**”) at a price of USD1.00 per share for a total consideration of USD5,000,000 (equivalent to RMB35,286,000).

Meanwhile, Cutia Shanghai, the subsidiary of Cutia HK, issued 50.43% ordinary shares to Suzhou 6 Dimensions Venture Capital Partnership L.P. (“Suzhou 6 Dimensions”) and Suzhou Frontline BioVentures Venture Capital Fund II L.P. (“Suzhou Frontline II”) (collectively referred to as the “**Onshore Investors**”) for a total consideration of USD15,000,802 (equivalent to RMB105,448,000) (the “**Agreement**”). Upon the equity investment, the Company also granted the Onshore Investors or their designated affiliates or nominees with a share purchase option. Pursuant to which, when the Onshore Investors choose to dispose of their equity interests in Cutia Shanghai to Cutia HK for a consideration of the original investment amount or a consideration by reference to the valuation of Cutia Shanghai determined by the Group and the Onshore Investors, the Onshore Investors should subscribe 8,004,571 ordinary shares, 5,000,000 Series A-1 Preferred Shares and 4,285,714 series A-2 convertible preferred shares of the Company (“**Series A-2 Convertible Preferred Shares**”) (collectively referred to as the “**Series A Convertible Preferred Shares**”) at the same consideration received from Cutia HK.

In August 2020, the Company entered into a purchase agreement of series B convertible redeemable preferred shares with a group of investors, pursuant to which the Company issued 20,571,428 series B convertible redeemable preferred shares with a par value of USD0.0001 each (“**Series B Convertible Redeemable Preferred Shares**”) at a price of USD8.75 per share for the total consideration of USD180,000,000 (equivalent to RMB1,234,580,000). In the meanwhile, a redemption right was granted to the holders of Series A Convertible Preferred Shares, resulting in the conversion of Series A Convertible Preferred Shares to the series A convertible redeemable preferred shares with a par value of USD0.0001 each (“**Series A Convertible Redeemable Preferred Shares**”).

In November 2020, the Onshore Investors exercised their share purchase options. Pursuant to the Agreement entered into, the Onshore Investors transferred all of their equity interests in Cutia Shanghai to Cutia HK for a total consideration of USD15,000,802 (equivalent to RMB98,422,000) and the Company issued 8,004,571 ordinary shares at a price of USD0.0001 per share with the total consideration of USD802 (equivalent to RMB6,000), 5,000,000 series A-1 convertible redeemable preferred shares at a price of USD1.00 per share with the total consideration of USD5,000,000 (equivalent to RMB32,806,000) and 4,285,714 series A-2 convertible redeemable preferred shares at a price of USD2.33 per share with the total consideration of USD10,000,000 (equivalent to RMB65,610,000) to the Onshore Investors. After exercising the share purchase option and completing the transfer of equity interests in Cutia Shanghai to Cutia HK, Cutia Shanghai became an indirect wholly-owned subsidiary of the Company.

In September 2021, the Company entered into a purchase agreement of series C convertible redeemable preferred shares with a group of investors, pursuant to which the Company issued 5,682,249 series C convertible redeemable preferred shares with a par value of USD0.0001 each (“**Series C Convertible Redeemable Preferred Shares**”) at a price of USD13.199 per share for the total consideration of USD75,000,001.01 (equivalent to RMB483,994,000).

### *Presentation and classification*

Prior to the issue of Series B Convertible Redeemable Preferred Shares, pursuant to the original and amended Memorandum and Articles of Association (the “**MOA**”), the Company does not have an obligation to i) deliver cash or other financial assets to the holders of Series A Convertible Preferred Shares; ii) to exchange financial assets or financial liabilities with the holders of Series A Convertible Preferred Shares that are potentially unfavourable to the Company; and iii) to deliver a variable number of the Company’s own ordinary share. Hence, Series A Convertible Preferred Shares is recognised as equity in accordance with relevant IFRS standard.

Since the ordinary shares in Cutia Shanghai held by the Onshore Investors are convertible into fixed number of ordinary shares and Series A Convertible Preferred Shares of the Company, the share purchase option granted to Onshore Investors should be classified as equity instrument in the consolidated financial statements. Therefore, the share purchase option was not required to be recorded at fair value, but at an initial cost of zero. Meanwhile, the equity interests held by the Onshore Investors in Cutia Shanghai were accounted for as non-controlling interests in the consolidated financial statements. However, in the financial statements of the Company, the share purchase options should be accounted as derivatives and were recognised at fair value upon initial recognition. Any changes of their fair value in subsequent reporting dates are recognized in profit or loss.

After the issuance of Series B Convertible Redeemable Preferred Shares, a redemption right was also granted to the holders of Series A Convertible Preferred Shares, which resulted in the conversion of Series A Convertible Preferred Shares to Series A Convertible Redeemable Preferred Shares. As such, the Group designated host debt and conversion derivatives of Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares as financial liabilities measured at fair value through profit or loss and presented as convertible redeemable preferred shares in the statements of financial position. The difference between the carrying amount of the Series A Convertible Preferred Shares and the fair value of the Series A Convertible Redeemable Preferred Shares was debited to "other reserves".

Meanwhile, in the consolidated financial statements, the Group redesignated the share purchase options for the Series A Convertible Redeemable Preferred Shares granted to the Onshore Investors as financial liabilities measured at fair value through profit or loss and the non-controlling interests held by the Onshore Investors were derecognised. The difference between the carrying amount of non-controlling interests and the fair value of gross obligation from share purchase options granted to the Onshore Investors at the redesignation date was debited to "other reserves".

As for the share purchase options for ordinary shares granted to the Onshore Investors, the non-controlling interests were derecognised upon the exercise of share purchase options. The difference between the carrying amount of non-controlling interests and the fair value of the ordinary shares of the Company at the exercise date was debited to "other reserves".

According to MOA of the Company in September 2021, the key terms of the Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares (collectively, the "Preferred Shares") are as follows:

#### *Liquidation preference*

In the event of any liquidation, dissolution or winding up, either voluntarily or involuntarily of the Company, and any Deemed Liquidation Event ("**Liquidation Event**"), distributions to the members of the Company shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

- (a) Before any distribution or payment shall be made to the holders of any ordinary share, Series A Convertible Redeemable Preferred Shares or Series B Convertible Redeemable Preferred Shares, the holders of Series C Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series C Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series C issue price for each Series C Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series C original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series C Share Preference Amount**"), and (ii) the amount per share such holder would have received if the Series C Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the assets and funds thus distributed among the holders of Series C Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series C Share Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series C Convertible Redeemable Preferred Shares in proportion to the Series C Share Preference Amount each such holder is otherwise entitled to receive.

- (b) If there are any assets or funds remaining after the aggregate Series C Share Preference Amount has been distributed or paid in full to all of the holders of the Series C Convertible Redeemable Preferred Shares pursuant to section (a) above, before any distribution or payment shall be made to the holders of any ordinary share or Series A Convertible Redeemable Preferred Shares, the holders of Series B Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series B Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series B issue price for each Series B Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series B original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the “**Series B Share Preference Amount**”), and (ii) the amount per share such holder would have received if the Series B Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the remaining assets and funds after the full payment of the aggregate of Series C Share Preference Amount pursuant to section (a) above thus distributed among the holders of Series B Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B Share Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series B Convertible Redeemable Preferred Shares in proportion to the Series B Share Preference Amount each such holder is otherwise entitled to receive.
- (c) If there are any assets or funds remaining after the aggregate Series C Share Preference Amount has been distributed or paid in full to all of the holders of the Series C Convertible Redeemable Preferred Shares pursuant to section (a) above, and after the aggregate Series B Share Preference Amount has been distributed or paid in full to all of the holders of the Series B Convertible Redeemable Preferred Shares pursuant to section (b) above, before any distribution or payment shall be made to the holders of the ordinary shares, the holders of Series A Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series A Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series A issue price for each Series A Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series A original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the “**Series A Share Preference Amount**”), and (ii) the amount per share such holder would have received if the Series A Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the remaining assets and funds after the full payment of the aggregate of Series C Share Preference Amount and Series B Share Preference Amount pursuant to section (a) and section (b) above thus distributed among the holders of Series A Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series A Share Preference Amount, then the entire remaining assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series A Convertible Redeemable Preferred Shares in proportion to the Series A Share Preference Amount each such holder is otherwise entitled to receive.
- (d) After setting aside or paying in full the Series C Preference Amount due pursuant to section (a) above, Series B Share Preference Amount due pursuant to section (b) above and the Series A Share Preference Amount due pursuant to section (c) above, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each such holder.

Deemed Liquidation Event means any transaction (treating any series of related transactions as a “transaction”) involving (i) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Group, (ii) a sale, transfer or exclusive licensing of all or substantially all of the intellectual property of the Group, (iii) a merger, share acquisition, consolidation or other business combination of the Group in which third parties that are not affiliates of the shareholders of such Group immediately prior to such transaction own a majority of such Group’s voting power immediately after such transaction or any merger, consolidation, share acquisition or other transaction in which the shareholders of the Group who had been shareholders immediately prior to such transaction did not retain a majority of the equity or voting power in the surviving entity, or (iv) a sale or disposition (whether by merger, consolidation, share acquisition or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries.

*Conversion*

- (a) *Right to convert Preferred Shares* Unless converted earlier pursuant to section (b) below, each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which ordinary shares shall be issuable upon conversion of the Preferred Shares (the “**Conversion Price**”) shall initially be the respective issue price for each applicable Preferred Share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this section shall limit the automatic conversion rights of Preferred Shares described in section (b) below. For the avoidance of doubt, the initial conversion ratio for Preferred Shares to ordinary shares is 1:1, and shall be subject to adjustment from time to time, including but not limited to share dividends, subdivisions, combinations or consolidations of ordinary shares, reclassifications, exchange and substitution, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.
- (b) *Automatic conversion* Each class or series of the Preferred Share shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the closing of a Qualified Public Offering; or (ii) the date when the Company obtains the vote or written consent of at least fifty percent (50%) holders of Series A Convertible Redeemable Preferred Shares (“**Series A Majority**”), at least fifty percent (50%) holders of Series B Convertible Redeemable Preferred Shares (“**Series B Majority**”) and at least fifty percent (50%) holders of Series C Convertible Redeemable Preferred Shares (“**Series C Majority**”). In the event of the automatic conversion of the Preferred Shares upon a public offering as described above, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such public offering.

Qualified Public Offering means a firm underwritten public offering of the ordinary shares of the Company on the New York Stock Exchange, the NASDAQ National Market System in the United States, the Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange, Shenzhen Stock Exchange, or another recognised securities exchange approved by the board of the directors at a pre-money valuation of not less than USD1 billion.

*Redemption*

The Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares shall be redeemable at the option of holders of the Preferred Shares as provided herein:

- (a) *Optional Series C Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a Qualified Public Offering, (ii) any material breach by any subsidiary of the Group or Zhang Lele, and (iii) the date of receipt of the Company’s written notice of the exercise by any holder of the Series B Convertible Redeemable Preferred Shares of its redemption right pursuant to section (b) below or any holder of the Series A Convertible Redeemable Preferred Shares of its redemption rights pursuant to section (c) below, the Series C Majority (each a “Series C Redeeming Shareholder”) shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series C Convertible Redeemable Preferred Shares (the “**Series C Redemption Shares**”) in preference to any other class or series of shares of the Company, including the Series A Convertible Redeemable Preferred Shares and Series B Convertible Redeemable Preferred Shares.
- (b) *Optional Series B Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a Qualified Public Offering, (ii) any material breach by any subsidiary of the Group or Zhang Lele, and (iii) the date of receipt of the Company’s written notice of the exercise by any holder of the Series C Convertible Redeemable Preferred Shares of its redemption right pursuant to section (a) above or any holder of the Series A Convertible Redeemable Preferred Shares of its redemption right pursuant to section (c) below, the Series B Majority (each a “Series B Redeeming Shareholder”) shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series B Convertible Redeemable Preferred Shares (the “**Series B Redemption Shares**”) in preference to the Series A Convertible Redeemable Preferred Shares.

- (c) *Optional Series A Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a Qualified Public Offering; (ii) any material breach by the Company or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series C Convertible Redeemable Preferred Shares of its redemption right pursuant to section (a) above or the exercise by any holder of the Series B Convertible Redeemable Preferred Shares of its redemption right pursuant to section (b) above, the Series A Majority (each a "Series A Redeeming Shareholder" and together with a Series C Redeeming Shareholder and Series B Redeeming Shareholder, a "Redeeming Shareholder") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series A Convertible Redeemable Preferred Shares (the "Series A Redemption Shares" and together with the Series C Redemption Shares and Series B Redemption Shares, the "Redemption Shares").
- (d) *Redemption Price* The redemption price for each Redemption Share redeemed pursuant to section (a), section (b) and section (c) shall be equal to 100% of the applicable issue price with a simple rate of return of eight percent (8%) per annum calculating from the applicable original issue date to the applicable due date plus all accrued but unpaid dividends (the "Redemption Price"). For the avoidance of doubt, if a Redeeming Shareholder only requires the Company to redeem part of its equity interests in the Company, then the total Redemption Price shall be calculated proportionately based on the number of the Redemption Shares with respect to such Redeeming Shareholder.

The movements of convertible redeemable preferred shares of the Group and the Company are set out below:

	Series A Convertible Redeemable Preferred Shares		Series B Convertible Redeemable Preferred Shares		Series C Convertible Redeemable Preferred Shares		Total
	<i>Number of shares</i>	<i>RMB'000</i>	<i>Number of shares</i>	<i>RMB'000</i>	<i>Number of shares</i>	<i>RMB'000</i>	
As at 1 January 2021	14,285,714	443,688	20,571,428	1,194,912	–	–	1,638,600
Issuance of preferred shares	–	–	–	–	5,682,249	483,994	483,994
Changes in fair value	–	144,507	–	(16,059)	–	(8,118)	120,330
As at 31 December 2021 and 1 January 2022	14,285,714	588,195	20,571,428	1,178,853	5,682,249	475,876	2,242,924
Changes in fair value	–	138,907	–	188,484	–	(294)	327,097
As at 31 December 2022	14,285,714	727,102	20,571,428	1,367,337	5,682,249	475,582	2,570,021

The Group has used the discounted cash flow method and the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at 31 December	
	2021	2022
Risk-free interest rate	1.06%	4.29%
DLOM	10.00%	5.5%
Volatility	45.39%	37.50%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as at the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualised standard deviation of daily shares price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs	Increase/(decrease) in the inputs	(Decrease)/increase in the fair value	
		As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000
DLOM	5%/(5%)	(128,634)/128,634	(140,141)/140,141
Volatility	5%/(5%)	(15,841)/10,687	(9,161)/1,694
Risk-free interest rate	5%/(5%)	(46,578)/47,897	(45,663)/47,250

## 22. Share Capital

The Company was incorporated in the Cayman Islands on 15 May 2019 with initial authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On 23 August 2019, the authorised share capital of the Company was subdivided to 500,000,000 shares with a par value of USD0.0001 each.

### Authorised

	As at 31 December	
	2021 Number of shares authorised	2022 Number of shares authorised
Ordinary shares of USD0.0001 each	459,460,609	459,460,609
Series A Convertible Redeemable Preferred Shares of USD0.0001 each	14,285,714	14,285,714
Series B Convertible Redeemable Preferred Shares of USD0.0001 each	20,571,428	20,571,428
Series C Convertible Redeemable Preferred Shares of USD0.0001 each	5,682,249	5,682,249
	<u>500,000,000</u>	<u>500,000,000</u>

### Issued and fully paid

	As at 31 December			
	2021 Number of ordinary shares in issue	Share capital RMB'000	2022 Number of ordinary shares in issue	Share capital RMB'000
Ordinary shares of USD0.0001 each	<u>16,009,142</u>	<u>11</u>	<u>16,009,142</u>	<u>11</u>

**23. Reserves***The Group*

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages I-7 to I-8 of the Historical Financial Information.

*The Company*

	<b>Share premium</b>	<b>Share option reserve</b>	<b>Other reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	259,156	20,335	(206,305)	(388,273)	(315,087)
Loss and total comprehensive loss for the year	–	–	–	(141,229)	(141,229)
Recognition of share-based payment expenses	–	41,110	–	–	41,110
At 31 December 2021	<u>259,156</u>	<u>61,445</u>	<u>(206,305)</u>	<u>(529,502)</u>	<u>(415,206)</u>

	<b>Share premium</b>	<b>Share option reserve</b>	<b>Other reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	259,156	61,445	(206,305)	(529,502)	(415,206)
Loss and total comprehensive loss for the year	–	–	–	(284,418)	(284,418)
Recognition of share-based payment expenses	–	100,029	–	–	100,029
At 31 December 2022	<u>259,156</u>	<u>161,474</u>	<u>(206,305)</u>	<u>(813,920)</u>	<u>(599,595)</u>

**24. Share-Based Payment Transactions***Pre-IPO Equity Incentive Plan*

The Company operates the Pre-IPO Equity Incentive Plan, which was adopted pursuant to a resolution passed on 23 August 2019, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of Pre-IPO Equity Incentive Plan include any officers, directors, employees of the Group, and any individual consultants or advisors who render or have rendered bona fide services to the Group.

The directors of the Company approved up to 3,990,858 shares of the Company after the sub-division of ordinary shares on 23 August 2019, in which options may be granted under the Pre-IPO Equity Incentive Plan. On 6 January 2021, a resolution was passed by the board of directors of the Company to increase the capacity of the Pre-IPO Equity Incentive Plan to 6,713,843 shares. On 30 November 2021, a resolution was passed by the board of directors of the Company to increase the capacity of the Pre-IPO Equity Incentive Plan to 14,137,134 shares.



*(a) Share options*

On 23 August 2019, 219,429 share options (“**Batch 1**”), which can be vested immediately, were granted to one consultant of the Group.

During the year ended 31 December 2020, 3,162,856 share options (“**Batch 2**”), 183,600 share options (“**Batch 3**”), 355,027 share options (“**Batch 4**”) were granted to a director, certain employees and consultants of the Group.

During the Relevant Periods, 2,069,182 share options (“**Batch 5**”), 460,641 share options (“**Batch 6**”), 109,248 share options (“**Batch 7**”), 59,812 share options (“**Batch 8**”) and 421,440 share options (“**Batch 9**”) were granted to two directors, certain employees and consultants of the Group.

The share options have a service condition that shall vest over a 60-month period, consisting of a cliff vesting of 20% of the share options on the one-year anniversary of the vesting commencement date and a vesting of 1/60th of the share options upon each successive monthly anniversary (or if there is no corresponding day, on the last day of such month) for the next 48 months following such one-year anniversary. As for Batch 8 and Batch 9, in addition to time-based vesting condition, the number of restricted share units which shall vest also depends on the specific performance target which is that grantees shall receive at least 3 points in the performance target annual review during the vesting period. The exercisable period of the share options will be expired after ten years from the vesting commencement date. Also, pursuant to the board resolution dated on 30 November 2021, in case of a listing, the vesting schedule of the unvested share options shall be accelerated by 50% on the six-months anniversary of the listing date (the “**Accelerate Date**”), provided that the participants have been employed by or provided services to the Group for at least one year upon the Acceleration Date (the “**Modification**”). Since such Modification reduces the fair value of the share options granted before 30 November 2021, measured immediately before and after the modification, the Group shall not take into account that decrease in fair value and shall continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted.

The Group recognised equity-settled share option expenses based on the estimated grant date fair value for employees and consultants using the binomial model on a straight-line basis over the requisite service period of the share options. The recognised equity-settled share option expenses are included in selling and distribution expenses, research and development costs and administrative expenses in the accompanying consolidated statements of profit or loss and other comprehensive income for the Relevant Periods.

The following share options were outstanding during the Relevant Periods:

	<b>Number of share options</b>
As at 1 January 2021	3,920,912
Granted during the year	2,639,071
Forfeited during the year	(294,510)
	<hr/>
As at 31 December 2021 and 1 January 2022	6,265,473
	<hr/>
Granted during the year	481,252
Forfeited during the year	(36,184)
	<hr/>
As at 31 December 2022	6,710,541
	<hr/> <hr/>

The exercise prices, exercise periods and the fair value of the share options outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2021

	<b>Number of share options outstanding</b>	<b>Exercise price <i>USD per share</i></b>	<b>Fair value at grant date <i>USD per share</i></b>
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	115,374	0.30	4.3809-4.3857
Batch 5	2,014,325	0.30/1.98	3.0186-4.4397
Batch 6	460,641	0.30/1.98	3.5414-4.7897
Batch 7	109,248	1.98	4.6306
	<u>6,265,473</u>		

As at 31 December 2022

	<b>Number of share options outstanding</b>	<b>Exercise price <i>USD per share</i></b>	<b>Fair value at grant date <i>USD per share</i></b>
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	115,374	0.30	4.3809-4.3857
Batch 5	1,988,366	0.30/1.98	3.0186-4.4397
Batch 6	460,641	0.30/1.98	3.5414-4.7897
Batch 7	99,023	1.98	4.6306
Batch 8	59,812	0.30	4.9574-6.4592
Batch 9	421,440	0.30/1.98	4.4581-5.9995
	<u>6,710,541</u>		

The fair values of the share options granted to the employees and consultants were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	<b>Batch 1</b>	<b>Batch 2</b>	<b>Batch 3</b>	<b>Batch 4</b>	<b>Batch 5</b>	<b>Batch 6</b>	<b>Batch 7</b>	<b>Batch 8</b>	<b>Batch 9</b>
Expected									
volatility (%)	39.6%	42.6%	42.6%	43.4%	44.0%	44.4%	44.6%	44.2%	44.3%
Risk-free interest									
rate (%)	1.52%	1.13%	0.60%	0.68%	1.44%	1.37%	1.43%	1.83%	4.14%
Exercise multiple	2.2	2.2/2.8	2.2/2.8	2.2/2.8	2.2/2.8	2.8	2.2	2.2/2.28	2.2/2.28

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

*(b) Restricted share units (the "RSUs")*

On 1 December 2021, 28 February 2022, 19 October 2022 and 20 November 2022, 369,715 RSUs, 3,097,989 RSUs, 1,944,883 RSUs and 1,952,418 RSUs were granted to two directors and certain employees of the Group, respectively.

Except for RSUs granted on 20 November 2022, the RSUs have a service condition that shall vest over a 4-year period, consisting of a cliff vesting of 25% of the RSUs on the one-year anniversary of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year anniversary. As for RSUs granted on 20 November 2022, the RSUs have a service condition that shall vest over a 4.5-year period, consisting of a cliff vesting of 25% of the RSUs on the one-year and a half anniversary of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year and a half anniversary, provided that the Company has consummated an initial public offering of the Company and listing of the Company's shares on a stock exchange. In addition to time-based vesting condition, the number of restricted share units which shall vest also depends on the specific performance target which is grantees shall receive at least 3 points in the performance target annual review during the vesting period. The exercisable period of the RSUs will be expired after ten years from the vesting commencement date.

The following RSUs were outstanding during the Relevant Periods:

	<b>Number of RSUs</b>
As at 31 December 2020 and 1 January 2021	–
Granted during the year	369,715
As at 31 December 2021 and 1 January 2022	369,715
Granted during the year	6,995,290
Forfeited during the year	(39,684)
As at 31 December 2022	<u>7,325,321</u>

The exercise prices, exercise periods and the fair value of the RSUs outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2021

<b>Grant date</b>	<b>Number of RSUs outstanding</b>	<b>Exercise price USD per share</b>	<b>Fair value at grant date USD per share</b>
1 December 2021	<u>369,715</u>	0.0001	6.4100

As at 31 December 2022

<b>Grant date</b>	<b>Number of RSUs outstanding</b>	<b>Exercise price USD per share</b>	<b>Fair value at grant date USD per share</b>
1 December 2021	330,031	0.0001	6.4100
28 February 2022	3,097,989	0.0001	6.7548
19 October 2022	1,944,883	0.0001	6.2919
20 November 2022	<u>1,952,418</u>	0.0001	6.2920
	<u>7,325,321</u>		

The fair value of the RSUs was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the RSUs were granted. Major inputs used for the determination of the fair value of ordinary shares are listed as follow:

	1 December 2021	28 February 2022	19 October 2022	20 November 2022
Volatility	44.62%	44.21%	44.29%	44.35%
Risk-free interest rate	1.43%	1.83%	4.14%	3.82%
DLOM	10.00%	8.50%	7.50%	7.50%

The total share-based payment expenses recognised in profit or loss for share options and RSUs are approximately RMB41,110,000 and RMB100,029,000 for the Relevant Periods.

## 25. Notes to the Consolidated Statements of Cash Flows

### (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB21,598,000 and RMB32,753,000 and non-cash additions to lease liabilities of RMB21,598,000 and RMB32,753,000, respectively, in respect of lease arrangements for plant and office premises.

### (b) Changes in liabilities arising from financing activities

	Accrued listing expense included in other payables RMB'000	Lease liabilities RMB'000	Convertible redeemable preferred shares RMB'000	Total RMB'000
At 1 January 2021	–	9,152	1,638,600	1,647,752
Changes from financing cash flows	–	(3,085)	483,994	480,909
Accretion of interest	–	559	–	559
New leases	–	21,598	–	21,598
Termination of a lease contract	–	(1,693)	–	(1,693)
Changes in fair value	–	–	120,330	120,330
At 31 December 2021 and 1 January 2022	–	26,531	2,242,924	2,269,455
Changes from financing cash flows	(2,380)	(6,884)	–	(9,264)
Changes from operating cash flows	(8,718)	–	–	(8,718)
Listing expenses	23,503	–	–	23,503
Deferred issue costs	6,208	–	–	6,208
Accretion of interest	–	1,728	–	1,728
New leases	–	32,753	–	32,753
Changes in fair value	–	–	327,097	327,097
At 31 December 2022	18,613	54,128	2,570,021	2,642,762

### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	
	2021 RMB'000	2022 RMB'000
Within operating activities	625	176
Within financing activities	3,085	6,884
	3,710	7,060

**26. Commitments**

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Acquisition of property, plant and equipment, and other intangible assets	10,229	6,456

**27. Related Party Transactions**

(a) The Group had the following transactions with related parties during the Relevant Periods:

*The Group*

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loans to <i>(note)</i>		
Ms. Zhang Lele	7,687	7,983
Mr. Wu Jiaru*	357	958
Mr. Zhu Qi*	1,132	1,409
Ms. Zhang Chunna*	629	1,337
Dr. Lei Lei*	223	1,317
Ms. Xu Jingxin*	115	1,373
	<u>10,143</u>	<u>14,377</u>
Deemed prepaid remuneration to <i>(note)</i>		
Ms. Zhang Lele	3,440	4,864
Mr. Wu Jiaru*	158	577
Mr. Zhu Qi*	508	848
Ms. Zhang Chunna*	286	805
Dr. Lei Lei*	106	793
Ms. Xu Jingxin*	62	827
	<u>4,560</u>	<u>8,714</u>
	<u>14,703</u>	<u>23,091</u>
Deemed interest income from loans to key management <i>(note)</i>		
Ms. Zhang Lele	22	397
Mr. Wu Jiaru*	1	50
Mr. Zhu Qi*	3	102
Ms. Zhang Chunna*	2	76
Dr. Lei Lei*	1	55
Ms. Xu Jingxin*	–	52
	<u>29</u>	<u>732</u>

*The Company*

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Listing expenses paid by related parties on behalf of the Company		
Cutia Wuxi	641	2,827
Cutia HK	–	4,105
Aurora Cutis	–	1,074
	<u>641</u>	<u>8,006</u>

(b) Outstanding balances with related parties:

*The Group*

	As at 31 December	
	2021	2022
	RMB'000	RMB'000
Amounts due from related parties:		
Loans to related parties – non-trade in nature and non-current ( <i>note</i> ):		
Ms. Zhang Lele	7,709	16,089
Mr. Wu Jiaru*	358	1,366
Mr. Zhu Qi*	1,135	2,646
Ms. Zhang Chunna*	631	2,044
Dr. Lei Lei*	224	1,596
Ms. Xu Jingxin*	115	1,540
	<u>10,172</u>	<u>25,281</u>
Deemed prepaid remuneration to related parties – trade in nature ( <i>note</i> )		
Ms. Zhang Lele	3,418	7,885
Mr. Wu Jiaru*	157	684
Mr. Zhu Qi*	505	1,251
Ms. Zhang Chunna*	284	1,013
Dr. Lei Lei*	105	843
Ms. Xu Jingxin*	62	837
	<u>4,531</u>	<u>12,513</u>
	<u>14,703</u>	<u>37,794</u>
Analysed into:		
Current portion	498	1,240
Non-current portion	14,205	36,554

\* Those persons are key management personnel of the Company. Mr. Zhu Qi is the chief medical officer. Dr. Lei Lei is the senior vice president of research and development department. Ms. Zhang Chunna is the senior vice president of regulatory affairs department. Ms. Xu Jingxin is the senior vice president of manufacturing and quality control department. Mr. Wu Jiaru is the senior vice president of finance and integrated management department.

The maturity dates of the loans borrowed by Ms. Zhang Lele in 2021 and 2022 are 1 September 2029 and 20 November 2032, respectively. The maturity dates of the loans borrowed by key management personnel fall between 5 August 2029 and 28 February 2032.

*The Company*

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to subsidiaries		
Cutia Wuxi	641	3,468
Cutia HK	–	4,105
Aurora Cutis	–	1,074
	<u>641</u>	<u>8,647</u>

The maximum amounts of the non-trade related receivables due from the director during the Relevant Periods:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a related party		
Ms. Zhang Lele	<u>7,709</u>	<u>16,089</u>

*Note:* The Group provided an eight-year unsecured and non-interest-bearing loans of RMB11,127,000 and a ten-year unsecured and non-interest-bearing loans of RMB12,847,000 to Ms. Zhang Lele in December 2021 and December 2022, respectively. Meanwhile, the Group also provided unsecured and non-interest-bearing loans of RMB3,576,000 and RMB10,244,000 to other key management personnel of the Group in December 2021 and March 2022, respectively with terms ranging from 7.5 years to 10 years. On initial recognition, the receivable was measured at fair value, which in this case was equal to the cash consideration given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amount and its fair value was treated as deemed prepaid remuneration to Ms. Zhang Lele and other key management personnel and was amortized through the expected loan terms.

The loans to related parties are non-trade in nature and will not be settled prior to Listing.

Pursuant to Rule 14A.31 of the Listing Rules, continuing connected transactions are connected transactions involving the provision of goods or services or financial assistance, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. The loans under the Pre-IPO Equity Incentive Plan extended to related parties, are one-off transactions which have been entered into prior to Listing and thus, are not subject to the requirements under Chapter 14A of the Listing Rules. Since the loans to related parties will not be recurring after Listing, they will not constitute continuing connected transactions subject to relevant requirements under Chapter 14A of the Listing Rules after Listing.

The Group has assessed the expected loss rate for amounts due from related parties by considering the financial position and credit history of these related parties and assessed that the expected credit loss is minimal.

## (c) Other transactions with a related party

On 7 August 2020, the Group entered into a lease agreement with Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. (“**Shanghai Huazhou**”) which is controlled by Suzhou Frontline II, the shareholder of the Group, pursuant to which, the Group had additions to right-of use assets of RMB2,470,000 and additions to lease liabilities of RMB2,470,000.

On 11 May 2021, the Group entered into another lease agreement with Shanghai Huazhou, pursuant to which, the Group had additions to right-of use assets of RMB104,000 and additions to lease liabilities of RMB104,000.

At the end of each of the Relevant Periods, the amounts of lease liabilities are RMB1,329,000 and RMB409,000, respectively.

During the Relevant Periods, the amounts of interest expense on lease liabilities are RMB82,000 and RMB42,000, respectively.

## (d) Compensation of key management personnel of the Group

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	12,382	16,850
Pension scheme contributions	362	380
Share based payment expenses	34,470	65,877
	<u>47,214</u>	<u>83,107</u>

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

**28. Financial Instruments by Category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

***The Group***

*As at 31 December 2021*

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	405,492	–	405,492
Amounts due from related parties	–	10,172	10,172
Financial assets included in prepayments, other receivables and other assets	–	3,850	3,850
Time deposits over three months	–	769,648	769,648
Cash and cash equivalents	–	203,130	203,130
	<u>405,492</u>	<u>986,800</u>	<u>1,392,292</u>



Financial liabilities

	<b>Financial liabilities at fair value through profit or loss Designated as such upon initial recognition RMB'000</b>	<b>Financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Financial liabilities included in trade and other payables	–	10,053	10,053
Convertible redeemable preferred shares	2,242,924	–	2,242,924
	<u>2,242,924</u>	<u>10,053</u>	<u>2,252,977</u>

As at 31 December 2022

Financial assets

	<b>Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000</b>	<b>Financial assets at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Trade receivables	–	98	98
Financial assets at FVTPL	43,496	–	43,496
Amounts due from related parties	–	25,281	25,281
Financial assets included in prepayments, other receivables and other assets	–	7,334	7,334
Time deposits over three months	–	567,145	567,145
Cash and cash equivalents	–	465,866	465,866
	<u>43,496</u>	<u>1,065,724</u>	<u>1,109,220</u>

Financial liabilities

	<b>Financial liabilities at fair value through profit or loss Designated as such upon initial recognition RMB'000</b>	<b>Financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Financial liabilities included in trade and other payables	–	55,753	55,753
Convertible redeemable preferred shares	2,570,021	–	2,570,021
	<u>2,570,021</u>	<u>55,753</u>	<u>2,625,774</u>

*The Company**As at 31 December 2021*Financial assets

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<b>Mandatorily designated as such</b>	<b>amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at FVTPL	385,415	–	385,415
Amount due from a subsidiary	–	24	24
Time deposits over three months	–	769,648	769,648
Cash and cash equivalents	–	2,394	2,394
	<u>385,415</u>	<u>772,066</u>	<u>1,157,481</u>

Financial liabilities

	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<b>Designated as such upon initial recognition</b>	<b>amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to subsidiaries	–	641	641
Convertible redeemable preferred shares	2,242,924	–	2,242,924
	<u>2,242,924</u>	<u>641</u>	<u>2,243,565</u>

*As at 31 December 2022*Financial assets

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<b>Mandatorily designated as such</b>	<b>amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at FVTPL	3,291	–	3,291
Amount due from a subsidiary	–	10,024	10,024
Time deposits over three months	–	567,145	567,145
Cash and cash equivalents	–	324,559	324,559
	<u>3,291</u>	<u>901,728</u>	<u>905,019</u>

Financial liabilities

	<b>Financial liabilities at fair value through profit or loss Designated as such upon initial recognition RMB'000</b>	<b>Financial liabilities at amortised cost RMB'000</b>	<b>Total RMB'000</b>
Amounts due to subsidiaries	–	8,647	8,647
Financial liabilities included in trade and other payables	–	18,729	18,729
Convertible redeemable preferred shares	2,570,021	–	2,570,021
	<u>2,570,021</u>	<u>27,376</u>	<u>2,597,397</u>

**29. Fair Value and Fair Value Hierarchy of Financial Instruments**

Management has assessed that the fair values of cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), financial liabilities included in trade and other payables and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets and amounts due from related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent financial products issued by the bank. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. Further details are set out in note 18 to the Historical Financial Information.

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including discounted cash flow method and back-solve method, and is within Level 3 fair value measurement. Further details are set out in note 21 to the Historical Financial Information.

***Fair value hierarchy***

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000	RMB'000	
Financial products	–	405,492	–	405,492

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000	RMB'000	
Financial products	–	43,496	–	43,496

*Liabilities measured at fair value:*

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000	RMB'000	
Convertible redeemable preferred shares	–	–	2,242,924	2,242,924

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted	Significant	Significant	
	prices in	observable	unobservable	
	active	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000	RMB'000	
Convertible redeemable preferred shares	–	–	2,570,021	2,570,021

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**30. Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, time deposits over three months, financial assets at FVTPL, trade receivables and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets and financial liabilities included in trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from changes in exchange rates.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD denominated financial instruments) and the Group's equity. For the purpose of internal foreign exchange rate risk management, the effect of foreign exchange on convertible redeemable preferred shares is excluded.

	<b>Increase/ (decrease) in rate of foreign currency %</b>	<b>Increase/ (decrease) in loss before tax RMB'000</b>	<b>Increase/ (decrease) in equity RMB'000</b>
<b>31 December 2021</b>			
If RMB weakens against USD	5	(47,004)	47,004
If RMB strengthens against USD	(5)	47,004	(47,004)
<b>31 December 2022</b>			
If RMB weakens against USD	5	(32,571)	32,571
If RMB strengthens against USD	(5)	32,571	(32,571)

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

*Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

*The Group*

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties – normal*	10,172	–	–	–	10,172
Financial assets included in prepayments, other receivables and other assets – normal*	3,850	–	–	–	3,850
Time deposits over three months – not yet past due	769,648	–	–	–	769,648
Cash and cash equivalents – not yet past due	203,130	–	–	–	203,130
	<u>986,800</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>986,800</u>

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties – normal*	25,281	–	–	–	25,281
Financial assets included in prepayments, other receivables and other assets – normal*	7,334	–	–	–	7,334
Time deposits over three months – not yet past due	567,145	–	–	–	567,145
Cash and cash equivalents – not yet past due	465,866	–	–	–	465,866
Trade receivables	–	–	–	98	98
	<u>1,065,626</u>	<u>–</u>	<u>–</u>	<u>98</u>	<u>1,065,724</u>

\* The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from related parties is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There is concentration in credit risks as the balances are with a few counterparties. Except for cash and cash equivalents, the other balances are not material.

*Liquidity risk*

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021			
	Less than 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial liabilities included in trade and other payables	10,053	–	–	10,053
Lease liabilities	4,860	10,940	17,220	33,020
Convertible redeemable preferred shares	–	2,547,632	–	2,547,632
	<u>14,913</u>	<u>2,558,572</u>	<u>17,220</u>	<u>2,590,705</u>
	As at 31 December 2022			
	Less than 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial liabilities included in trade and other payables	57,599	–	–	57,599
Lease liabilities	10,088	35,310	12,273	62,671
Convertible redeemable preferred shares	–	2,658,359	–	2,658,359
	<u>67,687</u>	<u>2,693,669</u>	<u>12,273</u>	<u>2,778,629</u>

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December	
	2021 RMB'000	2022 RMB'000
Total assets	<u>1,494,881</u>	<u>1,446,805</u>
Total liabilities	<u>2,285,390</u>	<u>2,693,121</u>
Gearing ratio ( <i>note</i> )	<u>153%</u>	<u>186%</u>

*Note:* Gearing ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

**31. Event After the Relevant Periods**

- (a) Pursuant to the shareholders' resolution dated 29 May 2023, each share in the Company's issued and unissued share capital was divided into 5 shares of the corresponding class with par value US\$0.00002 each.

**32. Subsequent Financial Statements**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.



The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to *Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of (i) the Global Offering and (ii) conversion of Series A, B and C Preferred Shares into ordinary shares on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the Global Offering been completed as at 31 December 2022 or at any future date.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 RMB'000 (Note 1)	Estimated net proceeds from the Global Offering RMB'000 (Note 2)	Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing RMB'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2022 RMB'000 (Note 4)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share as at 31 December 2022 RMB HKD (Note 5)
Based on an Offer Price of HKD20.65 per Offer Share	(1,246,913)	353,872	2,570,021	1,676,980	5.52 6.15
Based on an Offer Price of HKD24.75 per Offer Share	(1,246,913)	428,616	2,570,021	1,751,724	5.76 6.42
Based on an Offer Price of HKD22.70 per Offer Share	(1,246,913)	391,244	2,570,021	1,714,352	5.64 6.29

*Notes:*

- (1) The consolidated net tangible liabilities of the Group attributable to equity holders of the Company as at 31 December 2022 was equal to the audited net liabilities attributable to owners of the Company as at 31 December 2022 of RMB(1,246,316,000) after deducting of other intangible assets of RMB597,000 as at 31 December 2022 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on an Offer Price of HKD20.65, HKD22.70 and HKD24.75, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account any Shares which may be issued upon the exercise of the Over-Allotment Option.
- (3) For the purpose of the unaudited pro forma financial information, considering the estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB2,570,021,000, being the fair value of the Preferred Shares as at 31 December 2022. Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be re-designated from liabilities to equity. The amount that is re-designated from liabilities to equity will be the fair value of the Preferred Shares on that date of the Global Offering.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred in note 2 and 3 above and on the basis of 304,024,465 Shares are in issue (retrospectively adjusted for Share Subdivision as disclosed in Note 31 of Appendix I to the Prospectus), assuming that the conversion of Preferred Shares into the ordinary shares and the Global Offering has been completed on 31 December 2022 but does not take into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HKD at the rate of RMB1.00 to HKD1.1148.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

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**To the Directors of Cutia Therapeutics**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Cutia Therapeutics (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2022, and related notes as set out on pages II-1 to II-2 of the prospectus dated 31 May 2023 issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2022 as if the transaction had taken place at 31 December 2022. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2022, on which an accountants’ report has been published.

**Directors’ Responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
31 May 2023

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2019 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on May 30, 2023 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

### 2.1 Shares

#### (a) *Classes of Shares*

The share capital of the Company consists of a single class of ordinary shares.

#### (b) *Variation of Rights of Existing Shares or Classes of Shares*

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

**(c) *Alteration of Capital***

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and
- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so canceled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

*(d) Transfer of Shares*

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognize any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).



The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(e) Redemption of Shares***

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

***(f) Power of the Company to Purchase its own Shares***

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorized by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

***(g) Power of any Subsidiary of the Company to own Shares in the Company***

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

***(h) Calls on Shares and Forfeiture of Shares***

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or installment of a call after it has become due and payable, the Board may, for so long as any part of the call or installment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

## 2.2 Directors

### *(a) Appointment, Retirement and Removal*

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns from his office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

*(b) Power to Allot and Issue Shares and other Securities*

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries*

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

*(d) Borrowing Powers*

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(e) Remuneration*

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

*(f) Compensation or Payments for Loss of Office*

There are no provisions in the Articles relating to compensation or payment for loss of office.

*(g) Loans to Directors*

There are no provisions in the Articles relating to making of loans to Directors.

*(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

### 2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### 2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

### 2.5 Meetings of Members

#### (a) *Special and Ordinary resolutions*

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

#### (b) *Voting Rights and Right to Demand a Poll*

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognized clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person so authorized shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognized clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.



*(c) Annual General Meetings and Extraordinary General Meetings*

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

*(d) Notices of Meetings and Business to be Conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (A) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;
- (B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

- (C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

*(e) Quorum for Meetings and Separate Class Meetings*

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

*(f) Proxies*

Any member of the Company (including a member which is a recognized clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorized representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

## **2.6 Accounts and Audit**

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorized by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

## **2.7 Dividends and other Methods of Distribution**

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorize payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

## **2.8 Inspection of Corporate Records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

## **2.9 Rights of Minorities in relation to Fraud or Oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarized in paragraph 3.6 below.

## 2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and
- (b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

## 3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 15 May 2019 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

### 3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.



### **3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### 3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### 3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### 3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### **3.8 Accounting and Auditing Requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### **3.9 Exchange Control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### **3.10 Taxation**

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### **3.12 Loans to Directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

### **3.13 Inspection of Corporate Records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **3.14 Register of Members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

### **3.15 Register of Directors and Officers**

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

### **3.16 Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**3.17 Mergers and consolidations**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

**3.18 Mergers and Consolidations involving a Foreign Company**

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

### **3.19 Reconstructions and Amalgamations**

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a “fraud on the minority”.

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

**3.20 Takeovers**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**3.21 Indemnification**

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**3.22 Economic Substance**

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

**4. GENERAL**

Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands laws, has sent to the Company a letter of advice summarizing the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**FURTHER INFORMATION ABOUT OUR COMPANY****Incorporation of our Company**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 15, 2019. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Association are set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We have registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance. Ms. Chan Sze Ting (陳詩婷) at 5/F, Manulife Place 348, Kwun Tong Road, Kowloon, Hong Kong has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

**Changes in Share Capital of Our Company**

Save as disclosed in the section headed “History, Development and Corporate Structure – Pre-IPO investments”, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Prospectus.

**Changes in the Share Capital of Our Subsidiaries**

Save as disclosed in the section headed “History, Development and Corporate Structure – Corporate Development – Our Subsidiaries”, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Prospectus.

**Resolutions of Our Shareholders**

Pursuant to the Shareholders’ resolutions dated on or about May 30, 2023, it was resolved, among others:

- (a) subject to the Global Offering becoming unconditional,
  - with effect on the date of these resolutions, each ordinary Share (whether issued or unissued) in the then authorized share capital of the Company with a par value of US\$0.0001 each will be subdivided into 5 Shares with a par value of US\$0.00002 each, such that immediately following the Share Subdivision, the authorized share capital of the Company is US\$50,000 divided into 2,500,000,000 Shares with a par value of US\$0.00002 each; and
  - with effect immediately prior to the Listing, each of the issued and unissued Preferred Shares be converted into one Share with a par value US\$0.0001 each by re-designation and re-classification of with effect prior to the completion of the Global Offering;

- (b) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon Listing;
- (c) the terms of the Post-IPO Equity Incentive Plan were approved and adopted, and will come into effect upon Listing;
- (d) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms therein or otherwise:
- the Global Offering and the Over-allotment Option were approved and our Directors were authorized to effect the same, and to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option;
  - the grant of the Over-allotment Option by our Company to the International Underwriters to allot and issue up to 15% of the Offer Shares initially available under the Global Offering to cover, among other things, the over-allocations in the International Offering was approved;
  - the proposed Listing was approved, and our Directors were authorized to implement such Listing; and
  - all the issued and unissued Preferred Shares be re-designated and re-classified as ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles;
- (e) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders, or upon the exercise of the Over-allotment Option, or under the Pre-IPO Equity Incentive Plan. This general mandate to issue Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

- (f) a general unconditional mandate was granted to our Directors to exercise all power of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and excluding any Shares which may be allotted and issued under the Pre-IPO Equity Incentive Plan).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

- the general unconditional mandate as mentioned in paragraph (c) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and excluding any Shares to be allotted and issued under the Pre-IPO Equity Incentive Plans).

### **Restrictions on Repurchase of Our Own Securities**

This section sets out information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by us of our own Shares.

*Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

- (a) Shareholders' Approval. All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.
- (b) Source of Funds. Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

*Reasons for Repurchase*

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

*Funding of Repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this Prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

*General*

Exercise in full of the current repurchase mandate, on the basis of 304,024,465 Shares in issue after completion of the Global Offering (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued under the Pre-IPO Equity Incentive Plan), could accordingly result in up to 30,402,446 Shares being repurchased by us during the period prior to:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held;  
or
- (c) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

**FURTHER INFORMATION ABOUT OUR BUSINESS****Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

- (a) the second amended and restated shareholders agreement dated September 15, 2021 entered into among the Company, Cutia Therapeutics (HK) Limited (科笛生物醫藥(香港)有限公司), Cutia Therapeutics (Shanghai) Co., Ltd. (科笛生物醫藥(上海)有限公司), Zhang Lele (張樂樂), 6 Dimensions Capital, L.P., 6 Dimensions Affiliates Fund, L.P., Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), YF Dermatology Limited, SCC Growth V 2020-C, L.P., Cormorant Private Healthcare Fund II, LP, Cormorant Global Healthcare Master Fund, LP, LBC Sunshine Healthcare Fund L.P., LINK SPIRIT HOLDINGS LIMITED, TK Derma Limited, C&D No.7 Holdings Limited, CICC GF No.1 Limited, Fidelity China Special Situations PLC, Fidelity Funds, Fidelity Investment Funds, United Strength Neptune Limited and Goldstream Capital Segregated Portfolio Company – Goldstream Healthcare Focus Fund SP, pursuant to which shareholders' rights were agreed among the parties;
- (b) the cornerstone investment agreement dated May 30, 2023 entered into among CUTIA THERAPEUTICS (科笛集團), HARVEST INTERNATIONAL PREMIUM VALUE (SECONDARY MARKET) FUND SPC acting on behalf of and for the account of HARVEST GREAT BAY INVESTMENT SP, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, DEUTSCHE BANK AG, HONG KONG BRANCH, CLSA LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CMB INTERNATIONAL CAPITAL LIMITED and BOCI ASIA LIMITED, pursuant to which HARVEST INTERNATIONAL PREMIUM VALUE (SECONDARY MARKET) FUND SPC acting on behalf of and for the account of HARVEST GREAT BAY INVESTMENT SP agreed to subscribe for Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 20,000,000;
- (c) the cornerstone investment agreement dated May 30, 2023 entered into among CUTIA THERAPEUTICS (科笛集團), WUXI XINHONGDI VENTURE CAPITAL PARTNERSHIP (LIMITED PARTNERSHIP) (無錫新鴻笛創業投資合夥企業(有限合夥)), CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, DEUTSCHE BANK AG, HONG KONG BRANCH, CLSA LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CMB INTERNATIONAL CAPITAL LIMITED and BOCI ASIA LIMITED, pursuant to which WUXI XINHONGDI VENTURE CAPITAL PARTNERSHIP (LIMITED PARTNERSHIP) (無錫新鴻笛創業投資合夥企業(有限合夥)) agreed to subscribe for Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 2,200,000;

- (d) the cornerstone investment agreement dated May 30, 2023 entered into among CUTIA THERAPEUTICS (科笛集团), SO-YOUNG HONG KONG LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, DEUTSCHE BANK AG, HONG KONG BRANCH, CLSA LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CMB INTERNATIONAL CAPITAL LIMITED and BOCI ASIA LIMITED, pursuant to which SO-YOUNG HONG KONG LIMITED agreed to subscribe for Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 1,000,000; and
- (e) the Hong Kong Underwriting Agreement.

### Intellectual Property Rights

#### Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Owner	Place of registration
1.	<b>CUTIA</b>	Cutia Shanghai	PRC
2.	<b>科笛</b>	Cutia Shanghai	Hong Kong
3.	<b>科笛生物</b>	Cutia Shanghai	PRC
4.	<b>科笛医药</b>	Cutia Shanghai	Hong Kong
5.	<b>晨笛医药</b>	Aurora Cutis	PRC
6.	(A) <b>科笛</b>	Cutia Shanghai	Hong Kong
	(B) <b>科笛</b>		
7.	(A) CUTIA THERAPEUTICS	Cutia Shanghai	Hong Kong
	(B) CUTIA THERAPEUTICS		
	(C) CUTIA THERAPEUTICS		

No.	Trademark	Owner	Place of registration
8.	(A) 科笛生物 (B) 科 笛 生 物	Cutia Shanghai	Hong Kong
9.	(A) 科笛集团 (B) 科笛集團 (C) 科 笛 集 团 (D) 团 科 笛 集 團	Cutia Shanghai	Hong Kong
10.	(A)  (B) 	Cutia Shanghai	Hong Kong

### Patents

For material patents and patent applications of our Group as of the Latest Practicable Date, see “Business – Intellectual Property” in this Prospectus for more details.

### Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Expiry date
1.	cutiatx.com	Cutia Shanghai	May 9, 2024



**FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS**

**1. Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations**

The following table sets out the interests and short positions of our Directors and chief executive of our Company as of the Latest Practicable Date and immediately following completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued under the Pre-IPO Equity Incentive Plan) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our Shares are listed:

Name	Position	Nature of Interest	Number of underlying Shares held upon completion of the Shares Subdivision	Approximate percentage of shareholding in the total issued share capital	
				As of the Latest Practicable Date (%)	Upon completion of the Global Offering (%)
Ms. Zhang Lele <sup>(1)</sup>	Executive Director and CEO	Beneficial owner	27,524,275	9.73	9.05
Mr. Huang Yuqing <sup>(2)</sup>	Executive Director and CFO	Beneficial owner	4,750,000	1.68	1.56

*Notes:*

- As of the Latest Practicable Date, Ms. Zhang Lele is entitled to receive up to 5,504,855 Shares (to be adjusted to 27,524,275 Shares upon completion of the Shares Subdivision), pursuant to the options and share awards granted to her under the Pre-IPO Equity Incentive Plan, subject to the terms and conditions of such options and share awards.
- As of the Latest Practicable Date, Mr. Huang Yuqing is entitled to receive up to 950,000 Shares (to be adjusted to 4,750,000 Shares upon completion of the Shares Subdivision), pursuant to the options and share awards granted to him under the Pre-IPO Equity Incentive Plan, subject to the terms and conditions of such options and share awards.

## **2. Interests of the substantial shareholders in the Shares and underlying Shares of our Company**

Save as disclosed in the section headed “Substantial Shareholders”, immediately following the completion of the Global Offering and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued under the Pre-IPO Equity Incentive Plan, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company and any other member of our Group.

## **3. Directors’ Service Contracts and Letters of Appointment**

Each of Ms. Zhang Lele and Mr. Huang Yuqing, being our executive Directors, has entered into a service contract with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 30 days’ notice in writing served by either the executive Director or our Company.

Each of Dr. Chen Lian Yong, Dr. Xie Qin, Mr. Huang Xiao and Ms. Yang Yunxia, being our non-executive Directors, has entered into a service contract with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 30 days’ notice in writing served by either the non-executive Director or our Company.

Each of Mr. Chung Ming Kit, Mr. Tao Tak Yan Dennis and Mr. Ye Xiaoxiang, being our independent non-executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 30 days’ notice in writing served by either the independent non-executive Director or our Company.

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

## **4. Director’s Remuneration**

Save as disclosed in “Directors and Senior Management” and note 9 to the Accountants’ Report in Appendix I for each of the financial year ended December 31, 2021 and 2022, none of our Directors received other remunerations or benefits in kind from us.

## 5. Disclaimers

Save as disclosed in this Prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the section headed “– Other Information – Qualifications and consents of experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued under the Pre-IPO Equity Incentive Plan, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have 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 he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

**EQUITY INCENTIVE PLANS****1. Pre-IPO Equity Incentive Plan**

We have applied to the Stock Exchange and the SFC, respectively, for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under section 342 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For more details, see “Waivers and Exemptions –Waiver and Exemption in relation to the Pre-IPO Equity Incentive Plan”.

As of the date of this Prospectus, options and share awards representing 13,961,829 Shares (to be adjusted to 69,809,145 Shares upon the completion of Share Subdivision) under the Pre-IPO Equity Incentive Plan have been granted. No options and share awards representing under the Pre-IPO Equity Incentive Plan will be further granted and all granted options and share awards have been granted to specific individuals under the Pre-IPO Equity Incentive Plan. Pursuant to Rule 17.02(1)(b) of the Listing Rules, the Pre-IPO Equity Incentive Plan does not need to be approved by the Shareholders after Listing. In addition, given the Pre-IPO Equity Incentive Plan will not involve the grant of new Shares or options over new Shares after Listing and given all material terms of the Pre-IPO Equity Incentive Plan have been clearly set out in this Prospectus, the options and share awards granted to specified participants before Listing as set out above may continue to be valid after Listing (subject to the Stock Exchange granting approval for Listing of the Shares to be issued in respect of such options and share awards) although the terms of the Pre-IPO Equity Incentive Plan do not comply with the provisions of Chapter 17 of the Listing Rules, as provided for under Rule 17.02(1)(b) of the Listing Rules. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all Shares to be issued under the Pre-IPO Equity Incentive Plan.

The following is a summary of the principle terms of the Pre-IPO Equity Incentive Plan, which was adopted by the Company and took effect on August 23, 2019.

***General******(a) Purpose***

The purpose of the Pre-IPO Equity Incentive Plan is to promote the success of the Company and the interests of its Shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company’s Shareholders generally.

(b) *Eligibility*

An officer (whether or not a director) or employee of the Company or any of its affiliates, any member of the Board or any director of one of the Company's affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Company or one of its affiliates.

(c) *Maximum number of Shares*

Under the Pre-IPO Equity Incentive Plan, the maximum number of Shares that may be delivered pursuant to options and share awards (the "**Awards**") granted under the Pre-IPO Equity Incentive Plan will not exceed the limit as duly approved by the shareholders of the Company from time to time. The maximum number of Shares the Company is authorized to issue is 14,137,134 Shares (to be adjusted to 70,685,670 Shares upon the completion of Share Subdivision) under the Pre-IPO Equity Incentive Plan.

(d) *Administration*

The Pre-IPO Equity Incentive Plan shall be administered, and all Awards under the Pre-IPO Equity Incentive Plan shall be authorized, by the administrator. The "administrator" means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of the Pre-IPO Equity Incentive Plan. The administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company or any of its affiliates or to third parties.

Aurora Cutis Limited is a company incorporated in BVI and wholly owned by Futu Trustee Limited (the "**Trustee**"), the trustee of Aurora Cutis Employee Trust (the "**Trust**"), the trust set up by the Company to facilitate the administration of the Pre-IPO Equity Incentive Plan. Pursuant to the trust deed of the Trust, options and share awards with 10,797,978 underlying Shares (to be adjusted to 53,989,890 Shares upon the completion of Share Subdivision) will be held by Aurora Cutis Limited and administered under the Trust by the Trustee, solely for the benefit of the identified grantees under the Pre-IPO Equity Incentive Plan. Pursuant to agreements between the Grantees and/or Awardees and the Company, 3,163,851 Shares (to be adjusted to 15,819,255 Shares upon the completion of Share Subdivision) will be held by the Grantees and/or Awardees directly upon the exercise of options and/or delivery of share awards.

(e) *Awards*

The Pre-IPO Equity Incentive Plan is divided into two separate equity programs: (1) the option and share appreciation rights (the "**SAR**") grant program under which eligible persons may, at the discretion of the administrator, be granted options and/or SARs, and (2) the share award program under which eligible persons may, at the discretion of the administrator, be awarded restricted or unrestricted Shares or restricted share units.

*Options and SAR**(a) Award agreement and general*

Each option or SAR shall be evidenced by an award agreement (the “**Award Agreement**”) in the form approved by the administrator. The Award Agreement evidencing an option or SAR shall contain the terms established by the administrator for that Award and any other terms, provisions, or restrictions that the administrator may impose on the option or SAR or any Shares subject to the option or SAR. The administrator may require that the recipient of an option or SAR promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the administrator may require that the spouse of any married recipient of an option or SAR also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the administrator may require in connection with the grant of the Award.

*(b) Price*

The administrator will determine the purchase price per share of the Shares covered by each option (the “**exercise price**” of the option) at the time of the grant of the option, which exercise price will be set forth in the applicable Award Agreement, with the following factors.

- (i) the par value of Share;
- (ii) subject to clause (iii) below, 100% of the fair market value of a Share on the date of grant; or
- (iii) in the case of an option granted to a participant, possessing more than 10% of the total combined voting power of all classes of shares of the Company, 110% of the Fair market value of a Share on the date of grant.

The administrator will determine the base price per share of the Shares covered by each SAR at the time of the grant of the SAR, which base price will be set forth in the applicable Award Agreement and will not be less than 100% of the fair market value of a Share on the date of grant of the SAR.

*(c) Vesting, term and exercise*

An option or SAR may be exercised only to the extent that it is vested and exercisable. The administrator will determine the vesting and/or exercisability provisions of each option or SAR (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set forth in the applicable Award Agreement. Unless the administrator otherwise expressly provides, once exercisable an option or SAR will remain exercisable until the expiration or earlier termination of the option or SAR.

Each option and SAR shall expire not more than 10 years after its date of grant. Any exercisable option or SAR will be deemed to be exercised when (a) the applicable exercise procedures in the related Award Agreement have been satisfied (or, in the absence of any such procedures in the related Award Agreement, the Company has received written notice of such exercise from the participant), and (b) in the case of an option, the Company has received any required payment, and (c) in the case of an option or SAR, the Company has received any written statement.

*(e) Termination of employment*

Unless otherwise provided in the applicable Award Agreement, if a participant's employment by or service to the Company or any of its affiliates is terminated by such entity for cause, the participant's option or SAR will terminate on the participant's severance date, whether or not the option or SAR is then vested and/or exercisable.

***Share Award Program***

*(a) General*

Each share award shall be evidenced by an Award Agreement in the form approved by the administrator. The Award Agreement evidencing a share award shall contain the terms established by the administrator for that share award, as well as any other terms, provisions, or restrictions that the administrator may impose on the share award (including, but not limited to, the number of Shares subject to such share award); in each case subject to the applicable provisions and limitations of this Plan. The administrator may require that the recipient of a share award promptly execute and return to the Company his or her Award Agreement evidencing the share award. In addition, the administrator may require that the spouse of any married recipient of a share award also promptly execute and return to the Company the Award Agreement evidencing the share award granted to the recipient or such other spousal consent form that the administrator may require in connection with the grant of the share award.

*(b) Price*

The administrator will determine the purchase price per share of the Shares covered by each share awards at the time of grant of the Award. In no case will such purchase price be less than the par value of the Shares.

*(c) Vesting, settlement and term*

The restrictions imposed on the Shares subject to a restricted share award and the vesting conditions applicable to each restricted share unit award (which may in each case be based on performance criteria, passage of time or other factors or any combination thereof) will be set forth in the applicable Award Agreement. Unless otherwise set forth in an Award Agreement, a restricted share unit award may, in the discretion of the administrator, be settled in Shares or cash (or a combination thereof).

Any payment of cash or delivery of shares in payment for a share award, if applicable, may be delayed until a future date if specifically authorized by the administrator in writing and by the participant.

*(d) Dividend and voting rights*

Unless otherwise provided in the applicable Award Agreement, (a) with respect to the restricted shares, a participant holding restricted shares will be entitled to cash dividend and voting rights for all restricted shares issued even though they are not vested, but such rights will terminate immediately as to any restricted shares which cease to be eligible for vesting or are repurchased by the Company. Unless the administrator otherwise expressly provides, any dividends paid with respect to restricted shares shall be subject to the same vesting and other restrictions that apply to the restricted shares to which the dividends relate. As of the date of this Prospectus, no restricted shares have been granted and no restricted shares will be granted after the date of this Prospectus and the Listing, and (b) with respect to the restricted share units, the Award Agreement relating to a restricted share unit award may specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, distributions or dividends during the restriction period (and, if determined by the administrator, interest on any such distributions or dividends), with respect to the Shares subject to such restricted share unit award. Prior to the settlement of a restricted share unit award in Shares, the holder of such restricted share unit award shall have no rights as a shareholder of the Company with respect to the Shares subject to such restricted share unit award. Settlement herein refers to the delivery of Shares or cash (or a combination thereof) to the grantees at the discretion of the administrator after vesting. As of the Latest Practicable Date, all share awards granted under the Pre-IPO Equity Incentive Plan are restricted share units. Before delivery of the restricted share units in Shares, no Awardees are entitled to any rights as a Shareholder of the Company, including voting rights.

After exercising of options and delivery of share awards, for Shares held by the Trustee:

- (i) with respect to voting rights, the Grantees and/or Awardees are entitled to instruct the Trustee by written notice to exercise their voting rights in any general meeting of the Company. The Trustee will not exercise any voting rights underlying the Shares if no instructions received from the Grantees and/or Awardees;
- (ii) with respect to dividend rights, the Grantees and/or Awardees are entitled to all dividends declared by the Company as long as the Shares are held by the Trustee; and
- (iii) upon instruction from the Grantees and/or Awardees by written notice, the Trustee will dispose of relevant Shares on the Stock Exchange and distribute the economic interests to the Grantees and/or Awardees.



*(e) Termination of employment*

Unless the administrator otherwise expressly provides, restricted shares or restricted share units that in each case remain subject to vesting conditions that have not been satisfied by the time specified in the applicable Award Agreement (which may include, without limitation, the participant's severance date), will not vest and will be forfeited or reacquired by the Company, as applicable, in such manner and on such terms as the administrator provides, which terms shall include, with respect to restricted shares, to the extent not prohibited by law, return or repayment of the lower of (a) the fair market value of the restricted shares at the time of the termination, or (b) if applicable, the original purchase price of the restricted shares, without interest.

*Outstanding options and share awards granted**(a) Options*

As of the date of this Prospectus, our Company had granted outstanding options under the Pre-IPO Equity Incentive Plan to 109 grantees (including Directors and other grantees of our Group), to subscribe for an aggregate of 6,684,862 Shares (to be adjusted to 33,424,310 Shares upon the completion of Share Subdivision), representing approximately 10.99% in the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan). Among the outstanding options, two Directors, who are also members of the senior management (Ms. Zhang Lele and Mr. Huang Yuqing), were granted options to subscribe for 3,971,475 Shares (to be adjusted to 19,857,375 Shares upon the completion of Share Subdivision), all other five members of senior management were granted options to subscribe for 1,181,366 Shares (to be adjusted to 5,906,830 Shares) and other 102 Grantees of our Group (including three consultants) who are not Directors, members of senior management or connected persons of the Company were granted options to subscribe for 1,532,021 Shares (to be adjusted to 7,660,105 Shares upon the completion of Share Subdivision). As of the date of this Prospectus, 4,433,222 Shares (to be adjusted to 22,166,110 Shares upon completion of the Share Subdivision) underlying the outstanding options have been vested. Among the options vested, options with 2,776,761 underlying Shares (to be adjusted to 13,883,805 Shares upon the completion of Share Subdivision) have been granted to connected person, while options with 1,656,461 underlying Shares (to be adjusted to 8,282,305 Shares upon the completion of Share Subdivision) have been granted to participants who are not connected persons of our Company.

Assuming full vesting and exercise of all outstanding options, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment option is not exercised) will be diluted by approximately 9.91%.

*(b) Share awards*

As of the date of this Prospectus, our Company had granted outstanding share awards under the Pre-IPO Equity Incentive Plan to 87 grantees for an aggregate of 7,276,967 Shares (to be adjusted to 36,384,835 Shares upon the completion of Share Subdivision), representing approximately 11.97% in the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan). Among the outstanding share awards, two Directors, who are also members of our senior management (Ms. Zhang Lele and Mr. Huang Yuqing), were granted share awards for 2,483,380 Shares (to be adjusted to 12,416,900 Shares upon the completion of Share Subdivision), all other five members of senior management were granted share awards to subscribe for 2,268,634 Shares (to be adjusted to 11,343,170 Shares upon the completion of Share Subdivision) and other 80 awardees of our Group (who are not Directors, members of senior management, consultants or connected persons of the Company) were granted share awards for 2,524,953 Shares (to be adjusted to 12,624,765 Shares upon the completion of Share Subdivision). As of the date of this Prospectus, 882,421 Shares (to be adjusted to 4,412,105 Shares upon completion of the Share Subdivision) underlying the outstanding share awards have been vested. Among the share awards vested, share awards with 79,005 underlying Shares (to be adjusted to 395,025 Shares upon the completion of Share Subdivision) have been granted to connected person, while share awards with 803,416 underlying Shares (to be adjusted to 4,017,080 Shares upon the completion of Share Subdivision) have been granted to participants who are not connected persons of our Company.

Assuming full vesting and exercise of all outstanding share awards, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment option is not exercised) will be diluted by approximately 10.69%.

*(c) Dilution impact and earnings per Share*

Assuming full vesting and exercise of all outstanding options and share awards, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment option is not exercised) will be diluted by approximately 18.67%.

There is no consequent impact on the earnings per ordinary share for the two years ended December 31, 2021 and 2022 and immediately following completion of the Global Offering as the options and share awards would not be included in the calculation of diluted earnings per share due to anti-dilution.

Below is a list of the grantees of the outstanding options who are (i) Directors, (ii) senior management (other than connected persons), (iii) consultants and (iv) other employees, of the Company under the Pre-IPO Equity Incentive Plan (no options under the Pre-IPO Equity Incentive Plan have been granted to other connected persons of the Company):

Name	Address	Position	Date of Grant	Exercise Price <sup>(1)</sup>	Vesting Period	Number of Shares underlying the options granted <sup>(1)</sup>	Approximate percentage in the issued Shares immediately after completion of the Global Offering <sup>(4)</sup> (%)
<i>Directors</i>							
Ms. Zhang Lele (張樂樂)	Room 1901, No. 11, Lane 168 Shiquan East Road, Putuo District, Shanghai, PRC	Executive Director and CEO	August 23, 2019	USD0.06	5 years <sup>(2)</sup>	10,285,715	3.38
			February 26, 2021	USD0.396	5 years <sup>(2)</sup>	6,988,325	2.30
			October 19, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	202,195	0.07
			October 19, 2022	USD0.396	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	49,965	0.02
Mr. Huang Yuqing (黃雨青)	13 Canton Road, Tsim Sha Tsui Kowloon Hong Kong	Executive Director and CFO	July 10, 2021	USD0.06	5 years <sup>(2)</sup>	592,010	0.19
			July 10, 2021	USD0.396	5 years <sup>(2)</sup>	1,711,195	0.56
			February 28, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	27,970	0.01
<b>Subtotal</b>						<b>19,857,375</b>	<b>6.53</b>
<i>Senior Management (Except for Ms. Zhang Lele and Mr. Huang Yuqing)</i>							
Mr. Zhu Qi (朱琦)	Room 2603, No. 7, Lane 90, Hengfengbei Road, Jing'an District, Shanghai, PRC	Chief medical officer	February 28, 2020	USD0.06	5 years <sup>(2)</sup>	1,714,285	0.56
			February 26, 2021	USD0.396	5 years <sup>(2)</sup>	385,715	0.13
			February 28, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	29,320	0.01

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**STATUTORY AND GENERAL INFORMATION**

Name	Address	Position	Date of Grant	Exercise Price <sup>(1)</sup>	Vesting Period	Shares underlying the options granted <sup>(1)</sup>	Approximate percentage
							Number of outstanding Shares in the issued Shares immediately after completion of the Global Offering <sup>(4)</sup> (%)
Mr. Lei Lei (雷磊)	Room 602, No. 42, Lane 731, Shilong Road, Xuhui District, Shanghai, PRC	Senior vice president of research and development department	April 24, 2020	USD0.06	5 years <sup>(2)</sup>	450,000	0.15
			February 26, 2021	USD0.396	5 years <sup>(2)</sup>	500,000	0.16
			February 28, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	20,220	0.01
Ms. Zhang Chunna (張春娜)	Room 3402, Unit 1, Building No. 26, Yuquan Xierqu, Shijingshan District, Beijing, PRC	Senior vice president of regulatory affairs department	February 28, 2020	USD0.06	5 years <sup>(2)</sup>	1,028,570	0.34
			February 26, 2021	USD0.396	5 years <sup>(2)</sup>	271,430	0.08
			February 28, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	22,915	0.09
Ms. Xu Jingxin (徐靜欣)	Room 704, Building 5, Qiting, No. 699, Hubin Road, Binhu District, Wuxi, Jiangsu Province, PRC	Senior vice president of manufacturing and quality control department	September 15, 2020	USD0.06	5 years <sup>(2)</sup>	308,570	0.10
			February 26, 2021	USD0.396	5 years <sup>(2)</sup>	191,430	0.06
			February 28, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	17,525	0.01
Mr. Wu Jiaru (鄢佳儒)	Room 401, No. 1, Lane 428, Changping Road, Jing'an District, Shanghai PRC	Senior vice president of finance and integrated management department	February 28, 2020	USD0.06	5 years <sup>(2)</sup>	642,855	0.21
			February 26, 2021	USD0.396	5 years <sup>(2)</sup>	307,145	0.10
			February 28, 2022	USD0.06	5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	16,850	0.01
<b>Subtotal</b>						<b>5,906,830</b>	<b>1.94</b>

Name	Address	Position	Date of Grant	Exercise Price <sup>(1)</sup>	Vesting Period	Shares underlying the options granted <sup>(1)</sup>	Approximate percentage
							Number of outstanding Shares in the issued Shares immediately after completion of the Global Offering <sup>(4)</sup>
<i>Consultants</i>							
Dr. Steven Brian Landau MD	44 Tanglewood Road, Wellesley Massachusetts, United States, 02481-2606	-	August 23, 2019	nil	Vested at the date of grant	1,097,145	0.36
Dr. Zhang Jie (張潔)	11571 Sweet Nokia Street, Las Vegas, NV 89183	-	February 28, 2020	0.06	5 years <sup>(2)</sup>	857,145	0.28
Ms. Zhang Jingyuan (張經源)	Room 605, No. 15, Lane 1523, Wanduhang Road, Shanghai, PRC	-	September 15, 2020	0.06	5 years <sup>(2)</sup>	34,285	0.01
<b>Subtotal</b>						<b>1,988,575</b>	<b>0.65</b>
99 other employees	-	-	From February 28, 2020 to October 19, 2022	0.06 to 0.396	5 years <sup>(2)</sup> or 5 years <sup>(2)</sup> and Performance-Based Vesting <sup>(3)</sup>	5,671,530	1.87
<b>Total</b>						<b>33,424,310</b>	<b>10.99</b>

*Notes:*

- (1) The calculation is made taking into account of the Share Subdivision.
- (2) The Grantees will vest in twenty percent of the option on the one year anniversary of the vesting commencement date and an additional one sixtieth of the option upon each successive monthly anniversary (or if there is no corresponding day, on the last day of such month) for the next 48 months following such one-year anniversary, subject generally to the Grantees continuing to be an employee of the Company through each such date (the “**Time-Based Vesting**”).
- (3) Subject to the fulfilment of the Time-Based Vesting set forth above, the Option only become vested on each Time-Based Vesting Date, subject to the Grantee’s continued employment with the Company through the applicable Time-Based Vesting Date and the achievement of the applicable performance target for the applicable fiscal year of the Company ending immediately prior to the applicable Time-Based Vesting Date (the “**Performance-Based Vesting**”, each such fiscal year, a “**Fiscal Year**”, and each such performance target, a “**Performance Target**”). Each Performance Target shall be decided by the Company annually, initially the Performance Target shall be the Grantee has received at least three points in the Performance Target annual review.
- (4) Assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment option is not exercised and (iii) no further Shares are issued under the Pre-IPO Equity Incentive Plan.

As of the date of this Prospectus, our Company has granted outstanding options under the Pre-IPO Equity Incentive Plan to 107 grantees who are not our connected person, to subscribe for an aggregate of 2,713,387 Shares (to be adjusted to 13,566,935 Shares upon the completion of Share Subdivision), representing approximately 4.46% in the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan). The considerations paid for the grant of the options is nil. The exercise prices for the options range from USD0.06 to USD0.396.

Below is a list of the grantees of the outstanding share awards who are (i) connected persons, (ii) senior management (other than connected persons), and (iii) other employees (who are all current employees but not Directors, members of senior management, consultants or connected persons of the Company) under the Pre-IPO Equity Incentive Plan:

Name	Position	Date of grant	Award type	Vesting period <sup>(1)</sup>	Numbers of Shares underlying the outstanding share awards <sup>(2)</sup>	Approximate percentage in the issued Shares immediately after completion of the Global Offering <sup>(3)</sup> (%)
Ms. Zhang Lele (張樂樂)	Executive Director and CEO	October 19, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	9,248,075	3.04
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	750,000	0.25
<b>Subtotal</b>					<b>9,998,075</b>	<b>3.29</b>
Mr. Huang Yuqing (黃雨青)	Executive Director and CFO	February 28, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	1,580,100	0.52
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	838,725	0.28
<b>Subtotal</b>					<b>2,418,825</b>	<b>0.80</b>
<i>Senior Management (Except for Ms. Zhang Lele and Mr. Huang Yuqing)</i>						
Mr. Zhu Qi (朱琦)	Chief medical officer	February 28, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	1,970,450	0.65
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	650,230	0.21

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Name	Position	Date of grant	Award type	Vesting period <sup>(1)</sup>	Numbers of Shares underlying the outstanding share awards <sup>(2)</sup>	Approximate percentage in the issued Shares immediately after completion of the Global Offering <sup>(3)</sup> (%)
Mr. Lei Lei (雷磊)	Senior vice president of research and development department	February 28, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	1,857,205	0.61
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	422,575	0.14
Ms. Zhang Chunna (張春娜)	Senior vice president of regulatory affairs department	February 28, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	1,881,500	0.62
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	45,585	0.01
Ms. Xu Jingxin (徐靜欣)	Senior vice president of manufacturing and quality control department	February 28, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	1,932,915	0.64
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	799,560	0.26
Mr. Wu Jiaru (鄒佳儒)	Senior vice president of finance and integrated management department	February 28, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup>	1,389,340	0.46
		November 20, 2022	Restricted shares units	4.5 years and Performance-Based Vesting <sup>(4)</sup>	393,810	0.13
<b>Subtotal</b>					<b>11,343,170</b>	<b>3.73</b>

Name	Date of grant	Award type	Vesting period <sup>(1)</sup>	Numbers of Shares underlying the outstanding share awards <sup>(2)</sup>	Approximate percentage in the issued Shares immediately after completion of the Global Offering <sup>(3)</sup> (%)
80 other employees	From December 1, 2021 to November 20, 2022	Restricted shares units	4 years and Performance-Based Vesting <sup>(4)</sup> or 4.5 years and Performance-Based Vesting <sup>(4)</sup>	12,624,765	4.15
<b>Total</b>				<b>36,384,835</b>	<b>11.97</b>

*Notes:*

\* The consideration paid upon delivery of each Share underlying the share awards is USD0.00002 (taking into account of the Share Subdivision).

- (1) 25% of the restricted shares units (the “RSUs”) shall vest on the one year anniversary (or for share awards granted in November 2022, one and a half years anniversary) of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year anniversary, subject generally to the Awardees continuing to be an employee of the Company through each such date.
- (2) The calculation is made taking into account of the Share Subdivision.
- (3) Assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment option is not exercised and (iii) no further Shares are issued under the Pre-IPO Equity Incentive Plan.
- (4) Subject to the fulfilment of the Time-Based Vesting set forth above, the Share Awards only become vested on each Time-Based Vesting Date, subject to the Grantee’s continued employment with the Company through the applicable Time-Based Vesting Date and the achievement of the applicable performance target for the applicable fiscal year of the Company ending immediately prior to the applicable Time-Based Vesting Date (the “**Performance-Based Vesting**”, each such fiscal year, a “**Fiscal Year**”, and each such performance target, a “**Performance Target**”). Each Performance Target shall be decided by the Company annually, initially the Performance Target shall be the Grantee has received at least three points in the Performance Target annual review.

As of the date of this Prospectus, our Company has granted outstanding share awards under the Pre-IPO Equity Incentive Plan to 85 Awardees who are not our connected person, to subscribe for an aggregate of 4,793,587 Shares (to be adjusted to 23,967,935 Shares upon the completion of Share Subdivision), representing approximately 7.88% in the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Plan). The consideration paid for the grant of the share awards is nil.



## 2. Post-IPO Equity Incentive Plan

A summary of the principal terms of the Post-IPO Equity Incentive Plan conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolution of our Shareholders on May 30, 2023 is as follows.

### (a) Purpose

The purpose of the Post-IPO Equity Incentive Plan is to incentivize and reward the Eligible Participants (as defined below) for their contribution to the Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

### (b) Eligible Participants

The Board (which expression shall, for the purpose of this paragraph, include the Board or a duly authorized committee thereof) may, at its absolute discretion, offer to grant an option or a share award to subscribe for such number of Shares as the Board may determine to (a) an employee (whether full time or part-time) or a director of our Company or any of its subsidiaries (the “**Eligible Employee(s)**”) and (b) a consultant who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group (“**Service Provider(s)**”, together with the Eligible Employees referred as the “**Eligible Participant(s)**”).

For the avoidance of doubt, Service Providers shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and any professional service providers such as auditors or valuers.

The eligibility of any Eligible Employees shall be determined by the Board from time to time on the basis of the Board’s opinion as to, among others, the participant’s individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group and the actual or potential contribution to the development and growth of the Group.

The eligibility of any Service Providers shall be determined by the Board from time to time on the basis of the Board’s opinion as to, among others, their contribution to the development and growth of the Group, the prevailing market practice and industry standard, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Service Providers has established with the Group, and the amount of support, assistance, guidance, advice, efforts and contributions the Service Providers has exerted and given towards the success of the Group, and/or whether the person is regarded as a valuable consultant of the Group, taking into account the knowledge, experience, qualification, expertise and reputation of the Service Providers or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group and his/her strategic value).

(c) *Maximum number of Shares*

- (i) Subject to paragraphs (iv) and (v) below, the total number of Shares which may be issued upon exercise of all options and share awards to be granted under the Post-IPO Equity Incentive Plan shall not in aggregate exceed 10% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange (the “**Plan Mandate Limit**”), being 30,402,446 Shares (excluding any Shares which may be issued upon the exercise of the Over-allotment Option). Options and share awards lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan will not be counted for the purpose of calculating the Plan Mandate Limit.
- (ii) Subject to paragraph (i) above, within the Plan Mandate Limit, the total number of Shares which may be issued upon exercise of all options and share awards to be granted to Service Providers shall not exceed 1% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 3,040,244 Shares (the “**Service Providers Sublimit**”).
- (iii) Subject to paragraph (iv) below, the Plan Mandate Limit and the Service Providers Sublimit may be refreshed at any time after three years from the date of Shareholders’ approval for the last refreshment (or the date on which the Post-IPO Equity Incentive Plan is adopted, as the case may be) by approval of its Shareholders in general meeting provided that (1) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and (2) our Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules. The requirements under (1) and (2) of this paragraph do not apply if the refreshment is made immediately after an issue of securities by our Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the plan mandate (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the plan mandate immediately before the issue of securities, rounded to the nearest whole Share.
- (iv) The total number of Shares which may be issued upon exercise of all options and share awards to be granted under the Post-IPO Equity Incentive Plan and any other plans of our Company under the plan mandate as refreshed must not exceed 10% of the relevant class of Shares in issue as at the date of approval of the refreshed plan mandate.

- (v) Without prejudice to paragraph (iv) above, our Company may seek separate Shareholders' approval in a general meeting to grant options and/or share awards beyond the Plan Mandate Limit to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options and/or share awards to be granted, the purpose of granting options and/or share awards to the specified participants with an explanation as to how the terms of the options and/or share awards will serve such purpose and all other information required under the Listing Rules.

***(d) Maximum entitlement of a grantee***

Where any grant of options or share awards to a participant would result in the Shares issued and to be issued upon exercise of all options and/or share awards granted and to be granted to such participant (excluding any options and share awards lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options and/or share awards to be granted to such participant must be fixed before Shareholders' approval.

***(e) Grant and exercise of options and share awards***

The Board or a duly authorized committee thereof may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making such offer to the Eligible Participants, including, without limitation, conditions as to performance criteria (such as growth rate of revenue, earnings per share and/or total shareholders' return) to be satisfied or achieved by the Eligible Participants and/or our Company and/or the Group which must be satisfied before an option or a share award can be exercised.

An offer of the grant of an option or a share award shall be made to any Eligible Participants by letter in such form as the Board or a duly authorized committee thereof may from time to time determine specifying the number of Shares, the vesting period, the subscription price, the option period, the date by which the grant must be accepted and further requiring the Eligible Participants to hold the option or share award on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Equity Incentive Plan. An option or a share award shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the option or share award duly signed by the grantee together with a payment to our Company and/or any of its subsidiaries of HK\$1 (or the equivalent of HK\$1 in the local currency of any jurisdiction where our Company and/or its subsidiaries operate, as the Board or a duly authorized committee thereof may in its absolute discretion determine) by way of consideration for the grant thereof is received by our Company within the time period specified in the offer of the grant of the option or share award.

An option or a share award shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option or share award. Any breach of the foregoing by the grantee shall entitle our Company to cancel any outstanding entitlement of such grantee.

An option may be exercised in accordance with the terms of the Post-IPO Equity Incentive Plan at any time during a period to be determined and notified by the Board to each grantee, which period may commence on a day falling at least 12 months after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Equity Incentive Plan. The minimum period for which an option or a share award must be held before it can be vested or exercised (if applicable) shall be 12 months from the date of grant of such option or share award, except that any options or share awards granted to an Eligible Employee may be subject to a short vesting period, including where:

- (i) grants of “make-whole” options or a share awards to new Eligible Employee(s) to replace options or share awards such Eligible Participant(s) forfeited when leaving their previous employers;
- (ii) grants to an Eligible Participant whose employment is terminated due to death or disability or event of force majeure;
- (iii) grants of options or share awards which are subject to fulfilment of performance targets as determined in the conditions of his/her grant;
- (iv) grants of options or share awards the timing of which is determined by administrative or compliance requirements, in which case the vesting date may be adjusted to take account of the time from which the options or share awards would have been granted if not for such administrative or compliance requirements;
- (v) grants of options or share awards with a mixed vesting schedule such as the options or share awards vest evenly over a period of 12 months; and
- (vi) grants of options or share awards with a total vesting and holding period of more than 12 months, such as where the options or share awards may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the date of grant of such options or share awards.

*(f) Subscription price*

The amount payable for each Share to be subscribed for under an option (the “**Subscription Price**”) in the event of the option being exercised shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, which shall be not less than the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; and
- (iii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant.

The amount payable for each Share to be subscribed for under a share award (the “**Purchase Price**”) shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, based on considerations such as the prevailing closing price of the Shares, the purpose of the share award and the contribution of the Eligible Participant.

*(g) Options and share awards granted to connected persons*

- (i) Any grant of options or share awards to a director, chief executive or substantial shareholder of the Company, or any of their associates must be approved by the independent non-executive Director (excluding any independent non-executive Director who is the grantee of the options or share awards).
- (ii) Where any grant of share awards (excluding grant of options) to a director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the shares issued and to be issued in respect of all share awards granted (excluding any share awards lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue, such further grant of share awards must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll.

- (iii) Where any grant of options or share awards to an independent non-executive Director or a substantial shareholder of our Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan) under the Post-IPO Equity Incentive Plan and any other plans of our Company to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of options or share awards must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll.

Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option or a share award granted to a Director, a chief executive, a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner if the initial grant of the options or share awards requires such approval.

***(h) Restriction of grant of options and share awards***

No option or share awards shall be offered or granted:

- (i) to any Eligible Participant after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until (and including) the trading day after the relevant price sensitive or inside information has been announced in accordance with the applicable provisions of law or the Listing Rules;
- (ii) to any Eligible Participant during the period commencing one month immediately before the following (whichever is earlier):
- (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, quarterly (if any) or half-yearly results; and
- (b) the deadline for our Company to publish an announcement of its annual, quarterly (if any) or half-yearly results;

and ending on the date of the results announcement. No option or share award shall be granted during any period of delay in the publication of a results announcement;

- (iii) to any Director (except where the Subscription Price is to be determined by the Board or a duly authorized committee thereof at the time of exercise of the option):
  - (a) during the period of 60 days immediately preceding the publication of the annual results of our Company or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; or
  - (b) during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

*(i) Lapse of options and share awards*

Any option or share award shall elapse automatically and not be exercisable on the earliest of:

- (i) the expiry of the option period or other applicable exercisable periods under the Post-IPO Equity Incentive Plan;
- (ii) the expiry of the periods or the occurrence of the relevant event referred to in paragraphs (m)(i) and (m)(iii) below;
- (iii) subject as provide in the Post-IPO Equity Incentive Plan, the date of the commencement of the winding-up of our Company;
- (iv) the date on which the grantee commits a breach of relevant clauses that rights are personal to the grantee; or
- (v) the occurrence or non-occurrence of any event, expiry of any period, or non-satisfaction of any condition, as specified in the letter containing the offer or grant of the relevant option or share award.

*(j) Voting and dividend rights*

No grantee shall enjoy any of the rights of a Shareholder (including but not limited to voting, dividend, transfer rights or any other rights attached to a Share) by virtue of the grant of an option or a share award pursuant to the Post-IPO Equity Incentive Plan, unless and until the registration of the grantee (or such other person as may succeed to the grantee's title by operation of applicable laws and in compliance with the terms of the Post-IPO Equity Incentive Plan) as the holder thereof.

For the avoidance of doubt, the trustee holding unvested Shares under the Post-IPO Equity Incentive Plan, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

*(k) Effects of alterations in the capital structure of our Company*

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option or a share award remains outstanding, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable will be made to (a) the number of Shares to which the option or the share award relates, so far as outstanding, and/or (b) the Subscription Price of any outstanding option and the Purchase Price of any share awards, provided that (i) any such alteration shall give a grantee the same proportion of the issued share capital (rounded to the nearest whole Share) to which the grantee was entitled prior to such alteration; (ii) any such adjustments shall be made on the basis that the aggregate Subscription Price and Purchase Price payable by a grantee on the full exercise of any option or share award shall remain as nearly as possible the same as it was before such event; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial advisor must confirm to the Board in writing that the adjustments comply with the relevant provisions of the Listing Rules (or any guideline or supplementary guideline as may be issued by the Stock Exchange from time to time).

*(l) Rights on ceasing employment, death, or dismissal*

- (i) If the grantee of an option or a share award is an employee and ceases to be an employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (iii) below before exercising his/her option or share award in full, the option or share award (to the extent not already exercised) will lapse automatically on the date of cessation of his/her employment or engagement with the Group.



- (ii) If the grantee of an option or a share award is an employee and ceases to be an employee by reason of his/her death, before exercising the option or share award in full, his/her legal personal representative(s), or, as appropriate, the grantee may exercise the option or share award (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.
- (iii) If the grantee of an option or a share award is an employee and ceases to be an employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offense involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment summarily, his/her option or share award will lapse automatically on the date of cessation of his/her employment with the Group.

***(m) Rights on takeover and plans of compromise or arrangement***

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a plan of arrangement) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the options and/or share awards granted to them, Shareholders of our Company). If such offer becomes or is declared unconditional, the grantee (or his/her legal personal representative(s)) shall be entitled to exercise the grantee's outstanding entitlement in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

***(n) Rights on a voluntary winding-up***

In the event of an effective resolution being passed for the voluntary winding-up of our Company or an order of the court being made for the winding-up of our Company, notice thereof shall be given by our Company to grantees with options and/or share awards outstanding in full or in part at such date. If a grantee immediately prior to such event had any outstanding entitlement, the grantee (or his legal personal representative(s)) may by notice in writing to our Company within 21 days after the date of such resolution elect to be treated as if the entitlement had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price or Purchase Price for the Shares in respect of which the notice is given, whereupon the grantee shall be duly transferred with the relevant Shares (or treated as such by our Company) and entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of such election.

*(o) Ranking of Shares*

The Shares underlying the options and the share awards will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of such transfer and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of such transfer other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of such transfer.

*(p) Duration*

The Post-IPO Equity Incentive Plan shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Equity Incentive Plan becomes unconditional, after which period no further options or share awards will be granted by the provisions of the Post-IPO Equity Incentive Plan, but the provisions of the Post-IPO Equity Incentive Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options or share awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Equity Incentive Plan.

*(q) Alteration of the Plan*

The Board may subject to the rules of the Post-IPO Equity Incentive Plan amend any of the provisions of the Post-IPO Equity Incentive Plan at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Any alterations to the terms and conditions of the Post-IPO Equity Incentive Plan which are of a material nature, and any change to the terms of any options or share awards granted to the advantage of Eligible Participants, shall be subject to the approval of the Shareholders in general meeting and, where required under the Listing Rules, the Stock Exchange.

Any change to the terms of options or share awards granted to a Eligible Participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the options or share awards was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be). Such requirement does not apply where the alterations take effect automatically under the existing terms of the Post-IPO Equity Incentive Plan.

*(r) Cancellation of options and share awards*

Any cancellation of options or share awards granted may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels options and/or share awards granted to a participant and makes a new grant to the same participant, such new grant may only be made under the Post-IPO Equity Incentive Plan with available Plan Mandate Limit approved by the Shareholders. The options or share awards canceled will be regarded as utilized for the purpose of calculating the Plan Mandate Limit.

*(s) Clawback*

The Board may, at its absolute discretion, determine such malus and/or clawback provisions to be applied to an option and a share award or an offer of grant so as to provide, upon the occurrence of the applicable malus and/or clawback event(s) such as serious misconduct, a material misstatement in our Company's financial statements and fraud. If the Board exercises its discretion under this paragraph, it will give the relevant grantee written notice of such determination and the Board's interpretation of and determination pursuant to this paragraph shall be final, conclusive and binding.

*(t) Termination*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Equity Incentive Plan and in such event no further options or share awards will be offered but the provisions of the Post-IPO Equity Incentive Plan shall remain in full force in all other respects. All options and share awards granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Post-IPO Equity Incentive Plan.

*(u) Value of option and share awards*

Our Directors consider it inappropriate to disclose the value of options and/or share awards which may be granted under the Post-IPO Equity Incentive Plan as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option and/or share awards pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options or share awards have been granted, certain variables are not available for calculating the value of options or share awards. Our Directors believe that any calculation of the value of options and share awards granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(v) *General*

As of the Latest Practicable Date, no options or share awards had been granted or agreed to be granted under the Post-IPO Equity Incentive Plan.

## OTHER INFORMATION

### Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of the Company.

### Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

### Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

China International Capital Corporation Hong Kong Securities Limited (“CICC”), the Sole Sponsor, is a wholly-owned subsidiary of China International Capital Corporation (International) Limited (中國國際金融(國際)有限公司), which is in turn a wholly-owned subsidiary of China International Capital Corporation Limited (“CICC Limited”).

CICC Capital Management Co., Ltd., a wholly-owned subsidiary of CICC Limited, is the general partner of (1) CICC Generation Fund and (2) CICC Genesis National Emerging Industry Venture Investment Guidance Fund (Limited Partnership) 中金啟元國家新興產業創業投資引導基金(有限合伙) (“CICC Genesis Fund”). CICC Generation Fund wholly owns CICC GF, which held an approximately 1.62% interest in the Company as at the Latest Practicable Date and will be interested in approximately 1.50% of the equity interest of the Company immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no further Shares are issued under the Pre-IPO Equity Incentive Scheme (the “Assumptions”). CICC Genesis Fund holds approximately 9.72% of the partnership interest in Suzhou 6 Dimensions as a limited partner. CICC Genesis Fund would not, for the purposes of the SFO, be regarded as having an interest in the Shares held by Suzhou 6 Dimensions through its partnership interests as a limited partner of Suzhou 6 Dimensions. Even considering the interest of CICC Genesis Fund in Suzhou 6 Dimensions as a see-through proportional interest which equals to approximately 2.08% (being 9.72% of the 21.40% interest in the Company held by Suzhou 6 Dimensions as at the Latest Practicable Date), together with the interest of 1.62% held by CICC GF in the Company as at the Latest Practicable Date, CICC Limited indirectly held a total of approximately 3.70% interest in the Company as at the Latest

Practicable Date and will be interested in approximately 3.43% of the equity interest of the Company immediately upon completion of the Global Offering, assuming the Assumptions. As such, CICC confirms that it satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules, including but not limited to Rule 3A.07(1) (i.e. the sponsor group and any director or close associate of a director of the sponsor collectively holds or will hold, directly or indirectly, more than 5% of the number of issued shares of the new applicant).

The Sole Sponsor will receive an aggregate fee of US\$500,000 for acting as the sponsor for the Listing.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this Prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **Preliminary Expenses**

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

### **No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

### **Promoter**

Our Company has no promoter for the purpose of the Listing. Within the two years preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this Prospectus.

### **Taxation of holders of Shares**

#### ***Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

*Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

**Qualifications and Consents of Experts**

The following are the qualifications of the experts who have given opinions or advice which are contained in this Prospectus:

<b>Name</b>	<b>Qualification</b>
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhong Lun Law Firm	Legal advisers to our Company as to PRC law
Harney Westwood & Riegels	Legal advisers to our Company as to Cayman Islands law
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

**Binding Effect**

This Prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**Bilingual Prospectus**

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Prospectus, the English language version shall prevail.

**Miscellaneous**

Save as disclosed in this Prospectus:

- (a) within the two years preceding the date of this Prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;
- (d) none of our Directors or experts referred to in the paragraph headed “Other Information – Qualifications and consents of experts” in this section has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (e) none of our Directors or experts referred to in the paragraph headed “Other Information – Qualifications and consents of experts” in this section is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;
- (f) none of the equity and debt securities of the Company is listed or dealt in on any stock exchange (other than the Stock Exchange) nor is any listing or permission to deal being or proposed to be sought;

- (g) the Group has no outstanding convertible debt securities or debentures;
- (h) within the two years preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;
- (i) within the two years preceding the date of this Prospectus, no commission has been paid or is payable (except commissions to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (j) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (k) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Prospectus.



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## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND ON DISPLAY

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in the section headed “Statutory and general information – Other information – Qualifications and consent of experts” in Appendix IV to this Prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – Further Information about our business – Summary of material contracts” in Appendix IV to this Prospectus.

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company’s website ([www.cutiatx.com](http://www.cutiatx.com)) and the Stock Exchange’s website (<https://www.hkexnews.hk>) up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2021 and 2022;
- (c) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this Prospectus;
- (d) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix II to this Prospectus;
- (e) the legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;
- (f) the letter of advice from Harney Westwood & Riegels, our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Prospectus;
- (g) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed “Industry Overview”;

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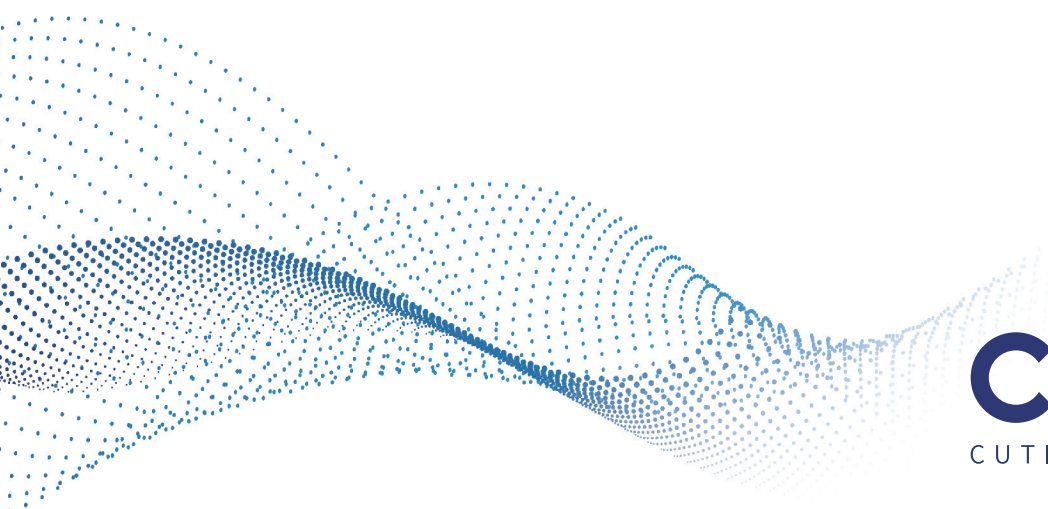
**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND ON DISPLAY**

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- (h) the material contracts referred to in the section entitled “Statutory and general information – Further Information about Our Business – Summary of Material Contracts” in Appendix IV to this Prospectus;
- (i) the written consents referred to in the section entitled “Statutory and general information – Other Information – Qualifications and Consents of Experts” in Appendix IV to this Prospectus;
- (j) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and general information – Further information about our directors, chief executives and substantial shareholders – Director’s service contracts and letters of appointment” in Appendix IV to this Prospectus;
- (k) Pre-IPO Equity Incentive Plan;
- (l) Post-IPO Equity Incentive Plan; and
- (m) the Cayman Companies Act.

**DOCUMENT AVAILABLE FOR INSPECTION**

A copy of a list of grantees of all options and awardees of all share awards under the Pre-IPO Equity Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus.



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