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BAOQIAO PARTNERS

寶橋融資有限公司
BAOQIAO PARTNERS CAPITAL LIMITED

30 October 2026

To the Independent Board Committees and the Independent Shareholders of Wuhan YZY Biopharma Co., Ltd.

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED ISSUE OF NEW DOMESTIC SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders on the Share Subscription, the Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 30 October 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement and the Letter from the Board, that, on 30 August 2026, the Company and the Subscribers entered into the Share Subscription Agreement, pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 35,592,400 Domestic Shares at the Subscription Price of RMB2.43 per Domestic Share.

As at the Latest Practicable Date, each of the Subscribers is a Director and Dr. Yuan Qian is also a substantial Shareholder. The Subscribers are directly and indirectly interested in an aggregate of 55,604,905 Shares, representing approximately 28.68% of the total issued share capital of the Company. Pursuant to the Listing Rules, each of the Subscribers is a connected person of the Company. Accordingly, the Share Subscription constitutes a connected transaction of the Company and subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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As at the Latest Practicable Date, the Subscribers and the Concert Parties, hold an aggregate of 135,349,110 H Shares, representing 69.82% of the total issued share capital of the Company. Following Completion and assuming no other changes to the total issued share capital of the Company prior to Completion, the Subscribers and the Concert Parties will together be interested in a total of 170,941,510 Shares (representing in aggregate approximately 74.50% of the issued share capital of the Company), which comprise 135,349,110 H Shares and 35,592,400 Domestic Shares, representing approximately 58.99% and 15.51% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares, respectively.

As the Share Subscription will increase the aggregate shareholding of the Subscribers from approximately 19.33% to approximately 31.84% and, together with the Concert Parties, from approximately 69.82% to approximately 74.50%, pursuant to Rule 26.1 of the Takeovers Code, the issue of Subscription Shares to the Subscribers will give rise to an obligation on the part of the Subscribers to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscribers and the Concert Parties unless the Whitewash Waiver is obtained from the Executive.

Completion is conditional upon, among others, the granting of the Whitewash Waiver by the Executive and approval by the Independent Shareholders. An application has been made by the Company on behalf of the Subscribers to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Share Subscription. The Executive has indicated that the Whitewash Waiver will be granted subject to the approval by at least 75% and not less than two-third of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Share Subscription (including the grant of the Specific Mandate and the approval of the Share Subscription Agreement), respectively, at the EGM.

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors who have no direct or indirect interests in the Share Subscription Agreement and transactions contemplated thereunder, namely Dr. Cheng Bin, Ms. Fu Lili, Dr. Deng Yuezhen and Dr. Chen Bin) has been formed to advise the Independent Shareholders on whether the Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) is fair and reasonable and make recommendations as to voting.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Share Subscription and the Whitewash Waiver, namely Mr. Xie Shouwu, a non-executive Director; and Dr. Cheng Bin, Ms. Fu Lili, Dr. Deng Yuezhen and Dr. Chen Bin, each an independent non-executive Director) has also been formed to advise the Independent Shareholders as to the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and make recommendations as to voting. Since the non-executive Directors, Dr. Yuan Qian and Dr. Zhou Hongfeng, are Subscribers, they are not included as members of the Whitewash Waiver IBC. In addition, Mr. Pang Zhenhai and Dr. Hui Xiwu, each a non-executive Director, are

employees and directors nominated by CSPC-NBP. As CSPC-NBP is one of the Concert Parties, they are considered to have direct or indirect interest in the Share Subscription and the Whitewash Waiver and are not included as members of the Whitewash Waiver IBC.

We, BaoQiao Partners Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Share Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable and make recommendations as to voting.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group, the Subscribers and their respective associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committees and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have reviewed, among others, the Share Subscription Agreement, the annual report of the Company for the year ended 31 December 2025 ("**FY2025**") (the "**2025 Annual Report**"), the interim report of the Company for the six months ended 30 June 2026 ("**HY2026**") (the "**2026 Interim Report**"), certain corporate and financial information of the Company, and the information set out in the Announcement and the Circular. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and representations made by the Management in the Circular and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Management, which have been provided to us.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group, the Subscribers and their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Subscription, Specific Mandate and the Whitewash Waiver. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date. The Independent Shareholders will be notified of any material changes to information contained in or referred to herein as well as any changes to our opinion, if any, as soon as possible in accordance with Rule 9.1 of the Takeovers Code after the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committees and the Independent Shareholders solely in connection with their consideration of approving the Share Subscription, the Specific Mandate and the Whitewash Waiver, and this letter, except for its inclusion in the Circular and for publication on the websites of the SFC (www.sfc.hk), the Stock Exchange (www.hkexnews.hk) and the Company (www.yzybio.com) as required under the Takeovers Code and the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committees and the Independent Shareholders in respect of the Share Subscription, Specific Mandate and the Whitewash Waiver, we have taken into consideration the following factors and reasons:

1. Background Information of the Group

The Company is a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies. The Company has been forward-looking in deploying its presence in a number of promising therapeutic fields, including but not limited to tumor-associated complications, tumors, ophthalmology and autoimmune diseases. The Company also proactively established several self-developed technology platforms, such as Y-BODY®, Check-Body and Nano-Ybody®, promoting the development of more candidates to clinical stages with high efficiency.

Pipeline Products

As disclosed in 2026 Interim Report, the Group designed and developed a pipeline of four clinical-stage drug candidates, including its core product M701, a recombinant BsAb for which the Group has completed a Phase III clinical trial in treating malignant ascites ("**MA**") and is currently a Phase Ib/II clinical trial in treating malignant pleural effusion ("**MPE**"), and three other drug candidates, namely Y332 (a recombinant anti-VEGF and anti-TGF- β BsAb for the treatment of a variety of solid tumors), Y400 (Class I innovative biological product targeting ocular fundus neovascular diseases) and Y225 (a biosimilar of Emicizumab for the treatment of hemophilia) at various clinical stages.

The Group is currently developing M701 primarily as the treatment of MA and MPE, which are severe complications of cancer characterized by the accumulation of fluid in the abdominal or chest cavity of cancer patients. As disclosed in the 2026 Interim Report, for the treatment of MA, the National Medical Products Administration ("**NMPA**" 國家藥品監督管理局) has accepted the New Drug Application (NDA) for M701, and such application is currently awaiting review by the Center for Drug Evaluation ("**CDE**" 藥品審評中心), a public institution under the NMPA responsible for the technical review of drug registration applications; for the treatment of MPE, the End of Phase application II (EOP2) has been submitted to the CDE and the Company is currently awaiting its feedback. As confirmed by the Management, there has been no material change in the development progress of M701 since the publication of the 2026 Interim Report. As at the Latest Practicable Date, none of the pipeline products had been fully developed or commercialised.

We conducted due diligence on the Group's product pipelines through: (i) review of the Company's prospectus dated 13 September 2023 and all publicly available disclosures published on the Stock Exchange's website from 31 December 2025 up to the date of the Latest Practicable Date; (ii) review of relevant records and agreements relating to clinical-stage, NDA(New Drug Application)-stage and pre-clinical pipeline products; (iii) independent searches of the CDE website to verify the registration status, regulatory progress and clinical trial records of the Group's products; and (iv) searches under the names of the Company and its subsidiaries on the CDE website to identify any undisclosed pipeline or commercialized products.

Based on our review, we did not identify any discrepancies between the Company's disclosures and publicly available regulatory records, any undisclosed regulatory applications, or any undisclosed clinical-stage pipeline products or commercialised drug products attributable to the Group. We also noted that no regulatory applications had been submitted for the Group's pre-clinical pipeline products. In addition, the Company and the Subscribers have confirmed in writing that, as at the Latest Practicable Date, there were no undisclosed material developments relating to the Group's products known to them.

Customers and Business Collaboration

Collaboration with Shenzhen Kangzhe

In July 2022, the Company entered into an asset transfer agreement ("**Asset Transfer Agreement**") with Shenzhen Kangzhe Vision Pharmaceutical Development Co., Ltd. ("**Shenzhen Kangzhe**") (深圳市康哲維盛醫藥發展有限責任公司), a wholly-owned subsidiary of China Medical System Holdings Limited (Stock Code: 0867.HK), a company listed on the Stock Exchange and is currently owned as to approximately 47.86% by Mr. Lam Kong based on the public information available on the website of the Stock Exchange (the "**Transferee**") to transfer all rights and assets relating to one of its drug candidates, namely Y400. Pursuant to the Asset Transfer Agreement, the Group agreed to transfer to Shenzhen Kangzhe substantially all rights, assets and intellectual property relating to Y400 worldwide (subject to certain arrangements for the United States, Europe and Japan), and granted a non-exclusive sublicense to an upstream cell line relating to Y400. The Group is responsible for the required pre-clinical studies, while the Transferee is responsible for the Investigational New Drug (IND) application, clinical development, regulatory activities, commercialization and manufacturing of Y400, either by itself or through the Group or a contract manufacture organization (CMO).

Under the Asset Transfer Agreement, the Company was entitled to an upfront fee of USD5.0 million and a milestone fee of USD1.0 million upon the Transferee obtaining NMPA approval to commence clinical trials. The upfront fee and milestone fee were received in October 2022 and June 2023, respectively.

In April 2024, the Company entered into a supplemental agreement with the Transferee and its subsidiary, pursuant to which the rights and assets relating to the drug candidate in Mainland China, Hong Kong and Macau were transferred to the Transferee, while the rights and assets in all other territories were transferred to the subsidiary. The aggregate consideration was revised from USD6.0 million to RMB39.5 million (excluding VAT).

As disclosed in 2025 Annual Report and 2026 Interim Report, the above fees were refundable upon the occurrence of certain contingent events ("**Contingent Events**") under the above agreements, they were recognised as advances from the transfer agreement and classified as current liabilities in the consolidated accounts of the Group. No revenue has been recognised under the Asset Transfer Agreement. Pursuant to the Asset Transfer Agreement, the principal Contingent Events include, (i) loss or revocation of the sublicensed rights to the cell line of the target product attributable to the Company; (ii) invalidation, rejection or infringement of the core PRC patent without a timely or effective remedy; (iii) unresolved delay or obstacle in the clinical trials attributable to the Company (such as quality issues or delayed supply of clinical trial drugs); (iv) failure to complete a successful technology transfer or ensure stable commercial supply; and (v) breach of Company's non-competition undertakings.

Collaboration with CT Tianqing

On 7 October 2024, the Company entered into a licensing and collaboration agreement ("**Licensing and Collaboration Agreement**") with Chia Tai Tianqing Pharmaceutical Group Co. Ltd. ("**CT Tianqing**"正大天晴藥業集團股份有限公司), a non wholly-owned subsidiary of Sino Biopharmaceutical Limited (Stock Code: 01177.HK), a company listed on the Stock Exchange. Based on the public information available on the website of the Stock Exchange, Sino Biopharmaceutical Limited is currently owned as to approximately 48.66% by members of Tse family, including Mr. Tse Ping, Ms. Cheng Cheung Ling, Ms. Tse, Theresa YY, Mr. Tse, Eric S Y and Mr. Tse Hsin. Pursuant to the Licensing and Collaboration Agreement, the Company has granted CT Tianqing an exclusive, sublicensable license to develop, register, manufacture and commercialize any product incorporating M701 together with its stabilizer, in the entire field relating to the prevention and treatment of human diseases in the PRC. The considerations for the Licence and Collaboration Agreement comprise fixed element (i.e. the first non-refundable upfront payment and payments to provision of research and development services) and variable elements (i.e. the second non-refundable upfront payment, development and sales milestone payments and sales-based royalties).

For the year ended 31 December 2024 ("**FY2024**"), FY2025 and HY2026 and up to the Latest Practicable Date, the Group's revenue, comprising licensing income and R&D service income, was solely derived from the Licensing and Collaboration Agreement related to M701, with CT Tianqing being the Group's only customer.

Potential collaborations

As disclosed in the 2026 Interim Report and as advised by the Management, the Group is currently in negotiations with an external party for joint development of mAbs oral preparation for Y232, no agreement has been finalised as at the Latest Practicable Date.

As disclosed in the 2025 Annual Report and 2026 Interim Report, consistent with the Group's commercialization strategy, the Group continues to seek to advance the commercialization of its product candidates through licensing arrangements and international collaborations. The Group also actively pursues in-depth partnerships with global pharmaceutical companies possessing extensive resources and development expertise at the clinical stage, with a view to jointly advancing its product pipeline and strengthening the foundation for the future commercialization and market positioning of its products.

2. Financial Information of the Group

Set out below is a summary of audited consolidated financial information of the Group for FY2025 and FY2024 as extracted from the 2025 Annual Report and the unaudited consolidated financial information of the Group for HY2026 and the six months ended 30 June 2025 ("**HY2025**") as extracted from the 2026 Interim Report:

	FY2025	**FY2024**	**HY2026**	**HY2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue				
— License fee income	4,038	82,795	24,227	4,717
— R&D service income	62,820	25,018	8,916	32,470
	66,858	**107,813**	**33,143**	**37,187**
Gross profit	**10,735**	**85,069**	**25,256**	**7,669**
Research and development expenses	**(78,198)**	**(164,986)**	**(17,581)**	**(60,186)**
Loss attributable to owners of the Company	**(84,732)**	**(97,599)**	**(6,260)**	**(58,834)**

	As at 30 June 2026	**As at 31 December 2025**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Total assets	**177,038**	**175,007**
— Property and equipment	35,201	34,166
— Right-of-use assets	7,581	7,870
— Trade and other receivables and prepayments	49,616	25,553
— Bank balances and cash	75,997	100,065
Total liabilities	**235,595**	**228,036**
— Bank borrowings	138,620	127,505
Net current liabilities	**(104,990)**	**(68,636)**
Net liabilities	**(58,557)**	**(53,029)**

FY2025 vs FY2024

For FY2025, revenue of the Group was approximately RMB66.9 million, representing a decrease of approximately 38.0% as compared to approximately RMB107.8 million for FY2024.

Revenue from license fee income decreased significantly from approximately RMB82.8 million for FY2024 to approximately RMB4.0 million for FY2025. This decline was primarily due to the recognition of the first upfront licensing fee payment of approximately RMB82.8 million under the Licensing and Collaboration Agreement, representing approximately 74% of the total upfront payment, upon signing of the Licensing and Collaboration Agreement in October 2024. In contrast, the Group recognised licensing fee income of approximately RMB4.0 million in relation to development milestone payments in FY2025.

Conversely, R&D service income surged from approximately RMB25.0 million for FY2024 to approximately RMB62.8 million for FY2025, primarily due to the Licensing and Collaboration Agreement taking effect in October 2024, resulting in a full year of service income being recognised in 2025 based on the progress of performance obligations, as compared to only three months in 2024.

For FY2025, the Group's gross profit decreased to approximately RMB10.7 million, with a gross margin of approximately 16.1%, compared to RMB85.1 million and 78.9% in the previous year. The decline was primarily attributable to the abovementioned decrease in revenue and the shift in revenue mix for FY2025 (in particular, there was no cost of revenue associated with the recognition of the first upfront licensing fee income in 2024), together with the full-year impact in 2025 of increased service costs under the Licensing and Collaboration Agreement.

Notwithstanding the decrease in revenue and gross profit, the Group reported a reduction in loss attributable to owners of the Company, from approximately RMB97.6 million for FY2024 to approximately RMB84.7 million, for FY2025. This improvement was primarily attributable to a decrease in research and development expenses, from approximately RMB165.0 million in FY2024 to approximately RMB78.2 million in FY2025. As advised by the Management, such decrease was mainly due to the reduction in costs incurred in the Phase III clinical trial of M701 for malignant ascites (MA) as compared with that of FY2024, given that the trial is approaching its conclusion.

HY2026 vs HY2025

For HY2026, revenue decreased by approximately 11.0% to approximately RMB33.1 million from approximately RMB37.2 million for HY2025, of which license fee income increased significantly from approximately RMB4.7 million for HY2025 to approximately RMB24.2 million for HY2026, primarily due to the recognition of the second upfront licensing fee payment of approximately RMB24.2 million for HY2026 upon fulfilment of the milestone criteria under the Licensing and Collaboration Agreement. On the other hand, R&D service income decreased from approximately RMB32.5 million for HY2025 to approximately RMB8.9 million for HY2026. As advised by the Management, the decrease was mainly attributable to the completion of the Phase III clinical trial of M701 for malignant ascites (MA) during HY2026 which resulted in a corresponding reduction in the R&D service compared to HY2025.

For HY2026, the Group's gross profit increased to approximately RMB25.3 million, with a gross margin of approximately 76.2%, compared to RMB7.7 million and 20.6% in HY2025. The increase was primarily attributable to the recognition of the second upfront license fee income during HY2026, which carried no associated cost of revenue, as well as a reduction in R&D service income and the corresponding cost of services.

The Group reported a reduction in loss for HY2026, narrowing from approximately RMB58.8 million for HY2025 to approximately RMB6.3 million for HY2026. As advised by the Management, such improvement was primarily attributable to the aforementioned increase in gross profit for HY2026, coupled with a significant decline in research and development expenses from approximately RMB60.2 million for HY2025 to approximately RMB17.6 million for HY2026, due mainly to the abovementioned completion of the Phase III clinical trial of M701 and the lower expenditure resulting from the consolidation of resources on a few pipeline products during the period.

Financial position of the Group

Total assets

As at 30 June 2026, the Group's total assets were approximately RMB177.0 million compared to approximately RMB175.0 million as at 31 December 2025, which mainly comprised property and equipment, right-of-use assets, cash and cash equivalents and trade and other receivables and prepayments as follows:

Property and equipment and Rights-of-use assets

The Group's property and equipment mainly comprised of industrial and residential buildings, equipment and construction-in-progress. As at 30 June 2026 and 31 December 2025, the property and equipment remained at the similar level of approximately RMB35.2 million and RMB34.2 million respectively. In addition, the

Group leases various properties in the PRC for its research and development activities. As at 30 June 2026 and 31 December 2025, the right-of-use assets amounted to approximately RMB7.6 million and RMB7.9 million respectively.

The Transfer

Including within right-of-use assets and property and equipment, the Group leases a parcel of land in Wuhan (the "**Land Use Right**") with carrying values of approximately RMB7.6 million and RMB7.5 million as at 31 December 2025 and 30 June 2026, respectively. The Land Use Right is being developed into an industrial building (the "**Building**"), with construction in progress recorded at approximately RMB17.6 million and RMB20.1 million as at 31 December 2025 and 30 June 2026, respectively. As disclosed in the Company's announcement dated 23 January 2026, the Company, as vendor, entered into an agreement (the "**Transfer Agreement**") with Wuhan Yiruide Medical Treatment Equipment New Technology Co., Ltd. (武漢依瑞德醫療設備新技術有限公司), an Independent Third Party, as purchaser regarding the transfer of the Land Use Right and Building (the "**Transfer**") at a total consideration amounted to not more than approximately RMB36.88 million, comprising: (i) RMB14.8 million for the transfer of the Land Use Right; (ii) RMB16.08 million for the transfer of the Building; and (iii) construction costs of not more than RMB6.0 million to satisfy the Investment Intensity Requirement (i.e. the construction on the existing building in order to meet the statutory conditions for registration of the transfer of existing assets, which requires completion of 25% or more of the total development investment).

As stated in the Transfer Agreement, the Investment Intensity Requirement is a prerequisite to the Transfer, and such requirement had not been satisfied as at the date of the Transfer Agreement.

Based on a Special Audit Report on the Development and Investment Progress of State-owned Construction Land (國有建設用地開發投資進度專項審計報告) dated 4 August 2026 prepared by Hubei Kaiyuan Certified Public Accountants Co. Ltd. (湖北開元會計師事務有限公司), a licensed certified public accounting firm in the PRC provided by the Management, the Investment Intensity Requirement was met on 31 July 2026.

Pursuant to the Transfer Agreement, the Transfer is expected to complete before 31 October 2026. As advised by the Management, the Transfer has yet to complete as at the Latest Practicable Date, completion of the Transfer has been postponed and is expected to take place no later than 15 December 2026.

Cash and cash equivalents

The Group had cash and cash equivalent of approximately RMB100.1 million and RMB76.0 million as at 31 December 2025 and 30 June 2026, respectively, representing a decrease of approximately 24.0%. The decrease as at 30 June 2026 was mainly due to the operating cash outflows to fund continuing research and development activities and clinical pipeline advancements during HY2026.

Trade and other receivables and prepayments

The Group reported trade and other receivables and prepayments of approximately RMB25.6 million and approximately RMB49.6 million as at 31 December 2025 and 30 June 2026 respectively. The increase was largely attributable to the increase in trade receivables of the second upfront licensing fee income of approximately RMB24.2 million under the Licence and Collaboration Agreement during HY2026.

Total liabilities

As at 30 June 2026, the Group's total liabilities were approximately RMB235.6 million compared to approximately RMB228.0 million as at 31 December 2025, which mainly comprised bank borrowings and advance from the Asset Transfer Agreement as follows:

Bank borrowings

The bank borrowings of the Group as at 31 December 2025 and 30 June 2026 remained at a similar level of RMB127.5 million and RMB138.6 million respectively. The bank borrowings accounted for over 50% of the total liabilities of the Group as at 31 December 2025 and 30 June 2026.

As at 30 June 2026, the bank borrowings carried interests at (i) fixed interest rates ranging from 3% to 3.5%; and (ii) variable-rate interest of Loan Prime Rate (the benchmark interest rate in China) plus a margin per annum.

As at 31 December 2025 the bank borrowings carried interests at fixed interest rates ranging from 2.5% to 3.4%.

Advance from the Asset Transfer Agreement

The advance from the Asset Transfer Agreement amounted to RMB39.5 million as at both 31 December 2025 and 30 June 2026 in relation to the upfront fee and milestone fee received under the Assets Transfer Agreement. Details of which have been disclosed in the paragraph headed "Background Information of Group" above.

As disclosed in 2025 Annual Report and 2026 Interim Report, the above fees were refundable upon the occurrence of certain contingent events under the above agreements, they were recognised as advances from the transfer agreement and classified as current liabilities in the consolidated accounts of the Group.

Net current liabilities

The Group reported net current liabilities of approximately RMB68.6 million and RMB105.0 million as at 31 December 2025 and 30 June 2026, respectively. The increase in net current liabilities was primarily attributable to the fact that all bank borrowings as at 30 June 2026 were short term in nature and repayable within one year, whereas as at 31 December 2025, approximately RMB27.5 million and RMB100.0 million were recorded as non-current and current borrowings, respectively.

Net liabilities

Net liabilities of the Group increased from approximately RMB53.0 million as at 31 December 2025 to approximately RMB58.6 million as at 30 June 2026, due primarily to the net loss of approximately RMB6.3 million recorded by the Group for HY2026.

3. Valuation of the property interests and Adjusted Net Liabilities

AVISTA Valuation Advisory Limited, an independent property valuer (the "**Valuer**"), has prepared an independent valuation report (the "**Valuation Report**") of the property interests of the Group as at 31 August 2026 (the "**Valuation Date**"). According to the Valuation Report, the valuation of the properties of the Group amounted to approximately RMB57.5 million as at the Valuation Date. Full details of the Valuation Report are set out in Appendix II — Property Valuation Report to this Circular.

	Market value in existing state attributable to the Group as at the Valuation Date *RMB'000*
Property interests held for sale by the Company in the PRC	34,940
Property interests held for owner occupation in the PRC	22,590
Total	**57,530**

We have (i) reviewed the terms of engagement between the Valuer and the Company; and (ii) discussed with the Valuer their qualification and experience in relation to the preparation of the Valuation Report. Based on the relevant information provided by the Valuer and our discussion with it, we are satisfied with the terms of engagement (including the scope of work) of the Valuer as well as its qualification and experience for preparation of the Valuation Report. The Valuer also confirmed that it is independent to the Group, the Subscribers and the Concert Parties.

In addition, we have reviewed the Valuation Report, and have discussed with the Valuer (i) bases and assumptions used; (ii) valuation methodology adopted; and (iii) due diligence work performed. We note that the Independent Valuer has used two valuation methodologies to arrive at the valuations of the different property interests, which include (1) the market approach, which generally involves comparing recent market evidence of similar properties located in the neighborhood area of the subject properties; and (2) the depreciated replacement cost approach, which is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the building, including the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

We have discussed with the Valuer the overall approach to the valuation and the selection of relevant valuation methodologies for the property interests. As disclosed in Valuation Report, the property interests of the Group are classified as (i) the property interests held for sale by the Company in the PRC (please refer to the Transfer as disclosed under the paragraph headed "Financial position of the Group" in this letter), which comprises a parcel of land (i.e. Land Use Right) with a site area of approximately 25,533.40 sq.m. which is being developed into an industrial development (i.e. Building) with a total planned gross floor area of approximately 15,151.43 sq.m.; (ii) the property interests held for owner occupation by the Company in the PRC comprising 4 industrial units and 6 residential units.

As disclosed in the Valuation Report, the Land Use Right and all the property interests held for owner occupation were valued using the market approach, whereas the Building under development was valued using the depreciated replacement cost approach as the Building was under development as at the Valuation Date, market sales comparables for similar properties under development were not readily available.

Based on the above, we concur with the valuation approaches the Valuer has taken in valuing the different types of properties.

Adjusted Net Liabilities

As part of our assessment, we have considered the adjusted net liabilities of the Group based on the consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2026, adjusted as follows (the "**Adjusted Net Liabilities**"):

	RMB'million
Consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2026	58.6
Adjustments:	
— Net revaluation surplus arising from the valuation of property interests attributable to the Group as at the Valuation Date *(Note 1)*	25.5
Adjusted Net Liabilities	33.1
Adjusted Net Liabilities per Share *(RMB) (Note 2)*	0.17

Notes:

1. The net revaluation surplus represents the difference between the market value of the property interests attributable to the Group as valued by the Valuer of approximately RMB57.5 million in aggregate as at the Valuation Date and their corresponding book values of approximately RMB32.0 million as at 30 June 2026.

2. Calculated based on 193,849,200 Shares in issue as at the Latest Practicable Date.

The Group has recorded a net liabilities position as at 31 December 2025 and 30 June 2026, after factoring in the net revaluation surplus arising from the Valuation, the Group would continue to remain in a net liabilities position. The negative equity indicates that the market is unlikely to assess the value of the Shares solely with reference to the book value per Share. Accordingly, it would be appropriate for the Independent Shareholders to evaluate the Subscription Price having regard to other factors, including but not limited to: (i) the financial performance, liquidity position and business prospects of the Group; (ii) the comparison of the Subscription Price against the historical and prevailing H Share prices; (iii) the trading liquidity of the Shares; and (iv) the comparable analysis, as further discussed in this letter.

4. Information on the Subscribers

Dr. Yuan Qian

Dr. Yuan Qian is a non-executive Director and a co-founder of the Group. He is also a substantial Shareholder. He is involved in the formulation of the general corporate business plans, strategies, and major decisions of the Group through the Board. As at the Latest Practicable Date, he was interested in 20,399,933 H Shares, representing approximately 10.52% of the issued share capital of the Company. Immediately after Completion, he will be interested in 20,399,933 H Shares (representing approximately 8.89% of the issued share capital of the Company) and 31,677,400 Domestic Shares (representing approximately 13.81% of the issued share capital of the Company), representing in aggregate approximately 22.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion save for the allotment and issue of the Subscription Shares).

Dr. Zhou Hongfeng

Dr. Zhou Hongfeng is a non-executive Director and a co-founder of the Group. He is currently responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of the Group through the Board. As at the Latest Practicable Date, he was interested in 10,199,921 H Shares, representing approximately 5.26% of the issued share capital of the Company. Immediately after Completion, he will be interested in 10,199,921 H Shares (representing approximately 4.45% of the issued share capital of the Company) and 3,559,200 Domestic Shares (representing approximately 1.55% of the issued share capital of the Company), representing in aggregate approximately 6.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion save for the allotment and issue of the Subscription Shares).

Dr. Zhou Pengfei

Dr. Zhou Pengfei is an executive Director and a co-founder of the Group. He is responsible for the overall strategic planning of the Group and supervises and oversees the management of the business of the Group. He also serves as the general manager of all of subsidiaries of the Group, namely Shijiazhuang Shiyou Biotechnology Co., Ltd. (石家莊石友生物技術有限公司) and Wuhan Youwei Biotechnology Co., Ltd (武漢友微生物技術有限公司), respectively. As at the Latest Practicable Date, he was interested in 6,869,744 H Shares, representing approximately 3.54% of the issued share capital of the Company. Immediately after Completion, he will be interested in 6,869,744 H Shares (representing approximately 2.99% of the issued share capital of the Company) and 355,800 Domestic Shares (representing approximately 0.16% of the issued share capital of the Company), representing in aggregate approximately 3.15% of the issued share capital of the

Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion save for the allotment and issue of the Subscription Shares).

Future intentions of the Subscribers regarding the Group

As disclosed in the Letter from the Board, the Subscribers intend to continue the listing of the Company and the existing business of the Group. In addition, the Subscribers do not intend to introduce any major changes to the existing operation and business of the Company or dispose of or redeployment of any of the assets of the Group or to discontinue the employment of the employees of the Group other than in the ordinary course of business.

We also note that the Subscribers share the view of the Company that the Share Subscription is in the interests of the Group, as disclosed in the paragraphs headed "Reasons for and Benefits of the Share Subscription" and "Proposed Use of Proceeds" in the Letter from the Board.

5. Fund raising activity in the past twelve months from the date of the Latest Practicable Date

The Company has not conducted any fund-raising activities through any issue of equity securities within the 12 months immediately prior to the Latest Practicable Date.

6. Reasons for and benefits of the Share Subscription and the proposed use of proceeds

The Company is a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies. The Company is committed to anchoring M701 as its core development pipeline and prioritizing the rapid advancement of its clinical R&D, marketing applications at home and abroad, and commercialization of overseas rights.

As disclosed in the Letter from the Board, the Group is under considerable operating cash pressure. As at 30 June 2026, the Group had bank balances and cash of approximately RMB76.0 million, while trade and other payables of approximately RMB33.4 million and bank borrowings of approximately RMB138.6 million. The Directors (excluding the members of the Independent Board Committees) consider that the Share Subscription can raise capital in order to maintain a sufficient cash position of the Group to meet its current liabilities and to enhance the capital base of the Company. The replenishment of working capital will enhance the capital strength of the Company and effectively broaden the channels of capital reserve to expand the business development of the Company. The Share Subscription by the founders of the Company demonstrates continued commitment and confidence in the prospects of the Company. At the same time, the Share Subscription will effectively reduce the gearing ratio of the Company, optimise the capital structure, improve the overall financial position of the Company and lower the financial risks.

As disclosed in the paragraph headed "Proposed Use of Proceeds" below, the Share Subscription is expected to generate approximately RMB83 million (equivalent to approximately HK$95.96 million), of which RMB74.7 million (equivalent to approximately HK$86.37 million) will be applied towards repayment of bank borrowings and approximately RMB8.3 million (equivalent to HK$9.59 million) will be allocated to general working capital purposes. Based on the information provided by the Management, we note that approximately RMB60 million of the Group's bank borrowings were due within six months from the Latest Practicable Date. Accordingly, this allocation will directly replenish the Group's cash reserves, reduce short-term debt obligations, improve the overall financial position, and thus lower financial risks and provide financial flexibility to support its operations. In addition, participation by the founders of the Company further demonstrates their continued commitment and confidence in the Group's prospects, reinforcing alignment between management and Shareholders.

Beyond immediate financial relief, we understand from the Management that the Share Subscription will provide support to the Group's substantial research and development activities. The Group has not yet generated revenue from product sales, as no products have been approved for commercialisation, and revenue for FY2024, FY2025 and HY2026 was derived solely from license fee income and R&D service income under the Licensing and Collaboration Agreement with CT Tianqing. The Group continues to incur significant R&D expenses in connection with pre-clinical research, clinical development, regulatory approval processes and manufacturing preparation. Sustained investment in these areas is critical to advancing the pipeline and positioning the Group for future commercial success. The Share Subscription ensures that the Group can maintain momentum in its development programmes and enhance its financial strength to progress its drug candidates.

The strategic importance of the Share Subscription is further reinforced by the favourable regulatory environment and robust growth of China's innovative drug industry. According to official releases by the State Council of the PRC, China's pharmaceutical industry has become the second largest globally, accounting for approximately 30% of innovative drugs under development worldwide. In the first half of 2026, the total value of China's innovative drug out-licensing deals (i.e. grant or transfer rights to develop, manufacture, and/or commercialize the innovative drug candidates to overseas enterprises in specified territories) exceeded USD100 billion, reaching a record high, while 38 innovative drugs were approved for marketing, of which 31 were developed by domestic companies. In addition, the National Healthcare Security Administration and the National Health Commission jointly issued Several Measures to Support the High-Quality Development of Innovative Drugs (《支持創新藥高質量發展的若干措施》) in June 2025, which prioritise support for innovative drug research and development. Against this backdrop, the Group has made steady progress, with the National Medical Products Administration accepting the New Drug Application of M701 for the treatment of malignant ascites (MA) as mentioned in the paragraph headed "Background Information of the Group" in this letter and the primary results of its Phase III study selected for oral presentation at the ASCO 2026 Annual Meeting in May 2026. Concurrently, the Group has expanded its global intellectual property protection, with patents granted in Japan and China during mid-2026.

In light of these developments, we understand from the Management that the Share Subscription is regarded as both necessary and strategic. It will strengthen liquidity, reduce financial risks, and reinforces the Company's capital and financial strength to accelerate clinical progress, regulatory advancement, and commercialisation of the Group's pipeline. The Directors (excluding the members of the Independent Board Committees) therefore believe that the Share Subscription represents a sound and timely measure to safeguard the Group's financial stability, support its long-term growth strategy, and enhance Shareholder value.

Given the reasons for and benefits of the Share Subscription and the proposed use of proceeds discussed in this letter, the Directors (excluding the members of the Independent Board Committees) consider, and we concur that, the Share Subscription is in the interests of the Company and the Independent Shareholders as a whole.

Proposed Use of proceeds

As stated in the section headed "Proposed Use of Proceeds" in the Letter from the Board, the net proceeds from the Share Subscription are expected to be approximately RMB83 million in aggregate, among which, approximately 90% of the Net Proceeds (or approximately RMB74.7 million) will be allocated to the repayment of bank borrowings and approximately 10% of the Net Proceeds (or approximately RMB8.3 million) will be allocated to the general working capital and general corporate purposes of the Group, of which, approximately 40%, 30%, 20% and 10% will be allocated to professional fees, payroll-related expenses, administrative fees and other corporate expenses, respectively.

Financing alternatives of the Group

As discussed with the Management, other than the issuance of Domestic Shares to the Subscribers, the Company had considered the feasibility of alternative fund-raising methods including debt financing and other forms of equity financing such as, the placing of shares, rights issues and open offers.

However, given that the Group recorded a negative total equity as at both 31 December 2025 and 30 June 2026 alongside total bank borrowings amounting to approximately RMB138.6 million as at 30 June 2026, resorting to additional debt financing would inevitably exacerbate the net liability position and further elevate the overall financial burden of the Group.

Furthermore, as detailed in the section headed "Historical trading liquidity of the H Shares" below, the consistently thin historical trading volume of the H Shares poses substantial challenges to the successful execution of secondary market equity fund-raising exercises, as such limited market liquidity would make it highly difficult to procure independent underwriters or attract sufficient participation from public shareholders for placing of new shares, rights issue or open offer. In contrast, the targeted Share Subscription of unlisted Domestic Shares serves as a more viable and certain fund-raising method than equity financing involving H Shares, as it directly secures the necessary funding for the Group while effectively bypassing the constraints associated with the prevailing low trading liquidity of the H Shares in the open market, thereby fulfilling the immediate capital requirements without increasing the debt level and concurrently serving as a strong testament to the unwavering confidence of the Subscribers in the long-term prospects and future development of the Group.

As advised by the Management, the Company has approached multiple financial institutions in last few months to seek equity financing involving H Shares, such as placing of new shares in the market. However, the responses received were negative, primarily due to the low level of trading liquidity of the H Shares.

Having considered the above, we concur with the Directors that the Share Subscription is currently the most appropriate and timely fundraising method available to the Company.

7. Principal terms of the Share Subscription Agreement

Set out below is a summary of the principal terms of the Share Subscription Agreement, further details of the Share Subscription Agreement are set out in the Letter from the Board contained in the Circular.

The Share Subscription Agreement

Set out below are the summary of principal terms of the Share Subscription Agreement as extracted from the Letter from the Board:

Date

30 August 2026

Parties

(a) the Company; and

(b) the Subscribers, namely, Dr. Yuan Qian, Dr. Zhou Hongfeng and Dr. Zhou Pengfei

Number of new Domestic Shares to be subscribed for

The Subscriber will subscribe for an aggregate of 35,592,400 new Domestic Shares. The details of the number of new Domestic Shares to be subscribed for by each of the Subscribers are set out below:

Name of the Subscribers	**No. of new Domestic Shares**
Dr, Yuan Qian	31,677,400
Dr. Zhou Hongfeng	3,559,200
Dr. Zhou Pengfei	355,800
Total	**35,592,400**

Subscription Shares

The Subscription Shares comprise 35,592,400 new Domestic Shares and represent:

(i) approximately 247.68% of the existing issued Domestic Shares and 18.36% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 71.24% of the issued Domestic Shares and 15.51% of the issued share capital of the Company, in each case, as enlarged by the allotment and issue of the Subscription Shares immediately after Completion (assuming that there is no change in the issued share capital of the Company between Latest Practicable Date and the Completion save for the allotment and issue of the Subscription Shares).

Based on the nominal value of RMB1.00 per Share, the aggregate nominal value of the Subscription Shares will be RMB35,592,400.

Subscription Price

The Subscription Price of RMB2.43 (equivalent to HK$2.80957) per Domestic Share represents:

(a) a discount of approximately 26.06% to the closing price of HK$3.80 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 14.86% to the closing price of HK$3.30 per H Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 14.86% to the average closing price of HK$3.30 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Share Subscription Agreement;

(d) a premium of approximately RMB2.70 over the audited consolidated net liabilities attributable to the Shareholders as at 31 December 2025 of approximately RMB0.27 per Share calculated based on the audited consolidated net liabilities of the Group attributable to the Shareholders of approximately RMB53,029,000 as at 31 December 2025 as extracted from the annual results of the Company for FY2025 and 193,849,200 Shares in issue as at the date of the Share Subscription Agreement;

(e) a premium of approximately RMB2.73 over the unaudited consolidated net liabilities attributable to the Shareholders as at 30 June 2026 of approximately RMB0.30 per Share calculated based on the unaudited consolidated net liabilities of the Group attributable to the Shareholders of approximately RMB58,557,000 as at 30 June 2026 as extracted from the interim results of the Company for the six months ended 30 June 2026 and 193,849,200 Shares in issue as at the date of the Share Subscription Agreement;

(f) a premium of approximately RMB2.60 over the Adjusted Net Liabilities per Share of RMB0.17; and

(g) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 4.09%, represented by the theoretical diluted price of approximately HK$3.165 per Share to the benchmarked price of approximately HK$3.30 per Share (as defined under Rule 7.27B of the Listing Rules), taking into account the higher of (a) the closing price of the Shares as quoted on the date prior to the date of the Share Subscription Agreement of HK$3.30 per Share, and (b) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Share Subscription Agreement of HK$3.30 per Share.

As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscribers and with reference to (i) the prevailing market price and recent trading volume of the Shares, (ii) the current market conditions and (iii) the amount of funds that the Company intends to raise under the Share Subscription as primarily determined based on the outstanding amount of bank borrowings. As advised by the Management, the amount of funds to be raised under the Share Subscription was determined after taking into account the current portion of the Group's outstanding bank borrowings. As disclosed in the 2026 Interim Report and financial information of the Group above, the Group's bank borrowings were entirely short-term in nature and amounted to approximately RMB138.6 million as at 30 June 2026.

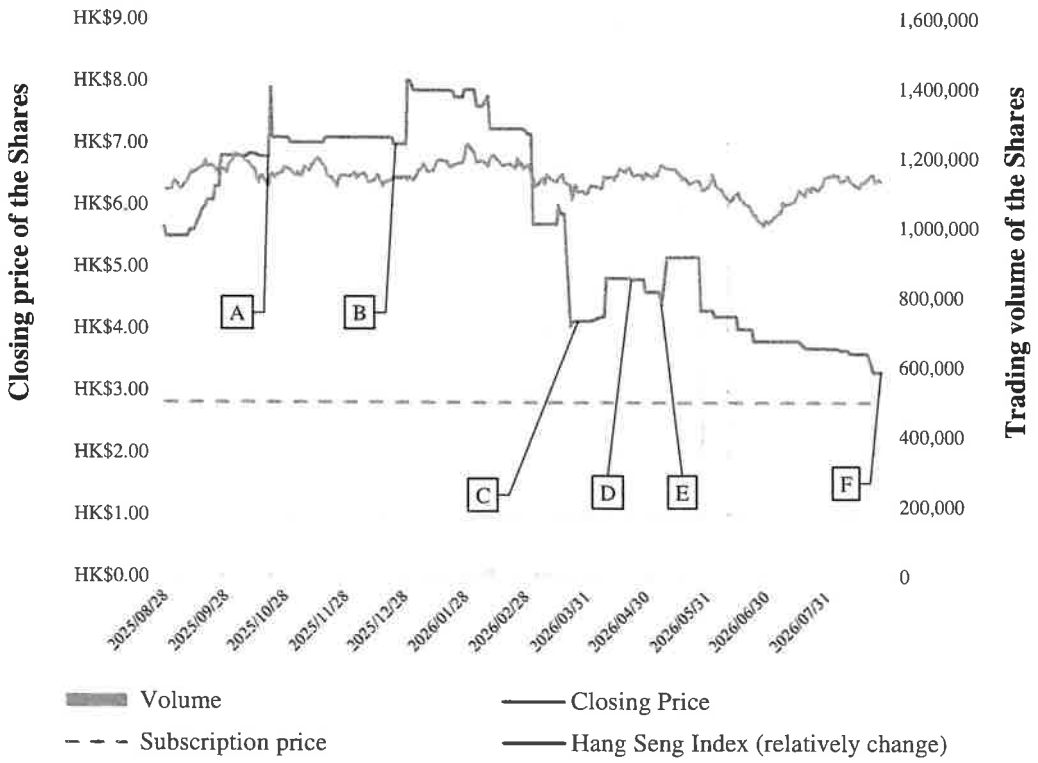
8. Evaluation of the Subscription Price

To assess the fairness and reasonableness of the Subscription Price, we have considered the following factors.

Historical price movement of the H Shares

Set out below is the movement of the closing prices of the Shares as quoted on the Stock Exchange during the period from 28 August 2025, being the date one year prior to the Last Trading Day and up to 28 August 2026 (i.e. Last Trading Day) (the "**Review Period**"). We are of the view that the price performance of the H Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company's performance and outlook and effects of certain events, which may be relevant to our analysis.

H Share Price Performance during the Review Period



Source: the website of the Stock Exchange

Date	Key Events
19 October 2025	(A) Voluntary Announcement — Phase II Study Interim Data of M701 for Malignant Pleural Effusion Presented at the ESMO Congress 2025
24 December 2025	(B) Voluntary Announcement — Y225 "Emicizumab Injection" Receives IND Approval from NMPA
27 March 2026	(C) Annual Results Announcement of the Company for FY2025
23 April 2026	(D) Voluntary Announcement — Two Clinical Study Results of M701 Selected for Presentation at the 2026 ASCO Annual Meeting
7 May 2026	(E) Voluntary Announcement — NDA for Treatment of MA of M701 Was Accepted by the NMPA
28 August 2026	(F) Interim Results Announcement of the Company for HY2026 and Last Trading Day

During the Review Period, the highest closing price was HK$8.02 per H Share on 30 December 2025 and 31 December 2025, while the lowest closing price was HK$3.30 per H Share recorded from 24 August 2026 to 28 August 2026. The average closing price per H Share throughout the Review Period was approximately HK$5.70. The Subscription Price of RMB2.43 (equivalent to approximately HK$2.81) represents a discount of approximately 65.0%, 50.7% and 14.9% relative to the highest closing price, average closing price and lowest closing price, respectively during the Review Period.

During the Review Period, the closing prices of the H Shares exhibited notable fluctuations with an overall downward trend. The H Shares opened at HK$5.65 per H Share and, from September 2025 onwards, showed a steady upward trend. On 21 October 2025, the closing price surged to HK$7.90 before retreating and stabilising around the HK$7.00 level. The H Shares subsequently reached their highest closing level of HK$8.02 per H Share on 30 December 2025.

It is noted that the Company published a voluntary announcement dated 19 October 2025 in relation to interim data from the Phase II clinical study of M701 for malignant pleural effusion presented at the European Society for Medical Oncology (ESMO) Congress 2025, and a further voluntary announcement dated 24 December 2025 regarding the receipt of Investigational New Drug (IND) approval from the National Medical Products Administration (NMPA) of the PRC for Y225. These disclosures coincided with the period of heightened share price activity.

Following this peak, the H Shares maintained relative stability and traded between HK$7.24 and HK$7.87 throughout January and mid-February 2026. Subsequently, the H Share price entered a downward trajectory starting in late February 2026, dropping noticeably from the HK$7.00 level in early March 2026 to approximately HK$4.00 by the end of March 2026. We note that, such downward adjustment coincided with the publication of the annual results announcement for FY2025 on 27 March 2026 and was generally in line with Hang Seng Index which declined from 27,081.91 to 24,382.47 during the period from 23 February 2026 to 23 March 2026. We have also discussed this with the Management and they are unaware of the reason for such decrease save for the above.

From April 2026 onwards, the closing price of the H Shares staged a moderate rebound, fluctuating upwards from HK$4.13 on 1 April 2026 to reach an interim high of HK$5.16 on 11 May 2026 and maintained this level until 27 May 2026. During this period, the Company published two voluntary announcements on 23 April 2026 and 7 May 2026, respectively, in relation to the development progress of M701. Following this rebound, from June onwards, the H Shares entered a downward trajectory, closing at the lowest of HK$3.30 per H Share from 24 August to 28 August 2026. We have discussed the movement in H Share prices with the Management and they are unaware of the reason for such decrease.

Overall, the H Share prices indicate a year characterised by a pronounced peak in December 2025, a significant correction in March 2026, and a subsequent weakening trend through to the end of the Review Period, closing at the lowest of HK$3.30 per H Share.

We note that the Subscription Price was determined with among others, the prevailing market prices of H Shares. We also note that the market prices of the H Shares on the Last Trading Day ("**LTD Price**") and the 5-days average price ("**5-Day Avg**") of the H Shares prior to the date of the Share Subscription Agreement were closed at their lowest level of HK$3.30 per H Share. The Subscription Price represented a discount of approximately 14.86% to LTD Price and 5-Day Avg.

Historical trading liquidity of the H Shares

The following table sets out the average daily trading volume of the H Shares for each month or period and the percentages of such average daily trading volume to the total number of H Shares/Shares in issue and held by the public during the Review Period.

Month/Period	**Monthly total trading volume**	**Number of trading days**	**Average daily trading volume** *(Note 1)*	**Percentage of average daily trading volume to total number of H Shares** *(Note 2)*	**Percentage of average daily trading volume to total number of issued Shares** *(Note 2)*	**Percentage of average daily trading volume to total number of public H Shares** *(Note 3)*	**Percentage of average daily trading volume to total number of public Shares** *(Note 3)*
2025							
28 August to 31 August	11,200	2	5,600	0.005%	0.003%	0.013%	0.010%
September	27,200	22	1,236	0.001%	0.001%	0.003%	0.002%
October	11,800	20	590	0.001%	0.000%	0.001%	0.001%
November	4,800	20	240	0.000%	0.000%	0.001%	0.000%
December	4,800	21	229	0.000%	0.000%	0.001%	0.000%
2026							
January	52,000	21	2,476	0.002%	0.001%	0.006%	0.004%
February	91,600	17	5,388	0.005%	0.003%	0.012%	0.009%
March	87,400	22	3,973	0.003%	0.002%	0.009%	0.007%
April	28,800	19	1,516	0.001%	0.001%	0.003%	0.003%
May	723,800	19	38,095	0.021%	0.020%	0.086%	0.065%
June	1,346,200	21	64,105	0.036%	0.033%	0.145%	0.110%
July	0	22	0	0.000%	0.000%	0.000%	0.000%
From 1 August to the Last Trading Day	7,000	20	350	0.000%	0.000%	0.001%	0.001%

Source: The website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. Percentage of average daily trading volume to the total number of issued H Shares/total Shares is calculated by dividing the average daily trading volume for the month/period by the respective total number of H Shares/total Shares in issue at the end of each month/period.

3. Percentage of average daily trading volume to the total number of issued H Shares/total Shares held by the public is calculated by dividing the average daily trading volume for the month/period by the respective number of H Shares/total Shares in issue held by the public Shareholders (Shareholders other than the Subscribers, the Concert Parties and substantial Shareholder of the Company) at the end of each month.

During the Review Period, the average daily trading volume of the H Shares ranged from nil to 64,105 H Shares, representing approximately 0.000% to 0.036% of the total number of H Shares and 0.000% to 0.033% of the total number of Shares in issue as at the end of the respective month/period, and approximately 0.000% to 0.145% of the total number of H Shares and 0.000% to 0.110% of the total number of Shares held by public Shareholders as at the end of the respective month/period. We note that the daily trading volume of the H Shares was exceptionally thin during the Review Period.

We are of the view that the liquidity of the H Shares during the Review Period had been thin. Such low level of liquidity might cause difficulty for Company to conduct fund-raising through the open market.

Comparable Companies analysis

In assessing the fairness and reasonableness of the Subscription Price, we have performed an analysis of the valuation of the Group compared with prevailing market valuations of other companies listed on the Stock Exchange that are engaged in similar businesses to those of the Group.

As discussed in the section headed "2. Financial Information of the Group" above, the Group is a biotechnology company mainly committed to develop bispecific antibody (BsAb)-based targeted and immune-oncology therapies, and its revenue comprised license fee income and R&D services income. Taking into account the nature of the business and the composition of the revenue of the Group, we have conducted a comparable company analysis based on the following criteria to include companies that (i) are classified under the biotechnology sector under the Bloomberg Industry Classification Standard (BICS); (ii) were listed pursuant to Chapter 18A of the Listing Rules and have yet to fulfil the requirements under the Listing Rules to remove the stock marker "B" as of the Last Trading Day; (iii) companies that generated revenue for FY2025, with majority of such revenue attributable to license fee income or R&D service income; and (iv) companies with market capitalisation as at the Last Trading Day is less than HK$5 billion (collectively, the "**Selection Criteria**").

Based on the aforementioned Selection Criteria, we identified an exhaustive list of 7 listed companies on the Main Board of the Stock Exchange (the "**Comparable Company(ies)**"). Although the drug or therapy candidates being developed or the nature of services provided by the Comparable Companies and the Group may not be identical, they are all engaged in similar business activities. Given that (i) all Comparable Companies are Chapter 18A issuers sharing the similarity in business nature and revenue composition with the Group; and (ii) the sample encompasses a sufficient number of Comparable Companies identified through an exhaustive search based on the Selection Criteria, we consider the list of Comparable Companies to be fair and representative.

Price-to-earnings ratio ("**P/E Ratio**"), price-to-book ratio ("**P/B Ratio**") and price-to-sales ratio ("**P/S Ratio**") are three of the most commonly used benchmarks for valuation of companies. Given the Group reported consolidated net losses attributable to the owners of the Company for FY2024, FY2025 and HY2026 and net liabilities as of 31 December 2025 and 30 June 2026, both the P/E Ratio and P/B Ratio are not applicable for our analysis purpose. The Group has generated revenue via upfront/milestone license fee income and R&D service income under Licence and Collaboration Agreement. As a result, the P/S Ratio has been adopted as our primary benchmark for the purpose of the comparable company analysis.

We note that, as disclosed in the section headed "Historical Trading Liquidity of H Shares" in this letter, the H Shares were traded with relatively low liquidity during the Review Period. Notwithstanding the low trading volume of the H Shares, the P/S Ratios were calculated based on the prevailing market prices of the H Shares quoted on the Stock Exchange, being publicly traded and observable market prices determined through arm's-length transactions in an open market. Accordingly, we consider that the P/S Ratios remain a relevant and widely adopted market-based valuation benchmarks. While relatively low trading liquidity may increase price sensitivity of H Shares, it does not detract from the fact that the trading prices represent the fair market prices accepted by market participants. Therefore, the P/S Ratios continue to provide a meaningful valuation reference for comparison with other Comparable Companies.

Set out below is the summary of our market comparable analysis:

No.	Company Name	Principal Business(es)	Market Capitalisation *(HK$'million)* *(Note 1)*	P/S Ratio *(times)* *(Note 2)*
1	ImmuneOnco Biopharmaceuticals (Shanghai) Inc. (1541)	The principal activities of the group are the research and development of immuno-oncology therapies.	1,593	8.93
2	Laekna, Inc. (2105)	The group is principally engaged in discovering, developing and commercialising innovative therapies to patients with metabolic diseases, cancer and liver fibrosis around the world.	2,700	21.89
3	Brii Biosciences Limited (2137)	The group is committed to advancing therapies for significant infectious diseases and other illnesses which have significant public health burdens in the PRC and worldwide.	693	32.23
4	Jiangsu Recbio Technology Co., Ltd. (2179)	The group is principally engaged in the research and development of vaccines in Chinese Mainland.	3,130	212.77 *(Note 3)*

No.	Company Name	Principal Business(es)	Market Capitalisation *(HK$'million)* *(Note 1)*	P/S Ratio *(times)* *(Note 2)*
5	Qyuns Therapeutics Co., Ltd. (2509)	The group is principally engaged in the research and development, manufacturing and commercialisation of biologic therapies for autoimmune and allergic diseases.	3,797	4.07
6	HJ Science Co., Ltd. (6132)	The principal activities of the group are mainly research and development of new small-molecule drugs.	3,502	NA *(Note 4)*
7	Transcenta Holding Limited (6628)	The group is an integrated biopharma platform that brings drug candidates from the discovery stage to the commercial stage, spanning discovery, research, development, manufacturing and commercialization.	487	56.65
			(Excluding outlier)	
			Maximum	56.65
			Minimum	4.07
			Average	24.75
			Median	21.89
	The Company (2496)		545	7.05

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Market capitalisation is calculated based on the closing share price and the number of shares in issue as at the Last Trading Day based on information from the website of the Stock Exchange. In the case of the Company, it is calculated based on the Subscription Price.

2. P/S Ratio is calculated by dividing market capitalisation as described in Note 1 above by total revenue reported in its latest annual report, total revenue of the companies in RMB are calculated based on the exchange rate of the median exchange rate published by the People's Bank of China on its website as at the Last Trading Day: HKD1 = RMB0.86498 for illustration purpose only.

3. The P/S Ratio of Jiangsu Recbio Technology Co., Ltd. was exceptionally high. Based on the NIST (National Institute of Standards and Technology) recommended Modified Z-Score methodology (widely adopted across data science, financial engineering, and industrial statistics), it was identified as an outlier with a Modified Z-Score substantially exceeding the NIST significance threshold. Accordingly, the P/S Ratio of Jiangsu Recbio Technology Co., Ltd. was excluded from the comparative assessment. No other outliers were identified using the same detection methodology.

4. HJ Science Co., Ltd. (stock code: 6132) was listed on 12 June 2026 and has not yet published its first audited annual report since its listing, thus was excluded from the calculation of the Comparable Companies' maximum, minimum, average, and median P/S ratios.

As shown in the table above, the implied P/S Ratio of the Company (calculated using the Subscription Price) of approximately 7.05 times is within range of the P/S Ratios of the Comparable Companies (the "**P/S Ratio Range**") from approximately 4.07 times to approximately 56.65 times, while lower than the average of approximately 24.75 times and the median of approximately 21.89 times of the P/S Ratios of the Comparable Companies.

Although the implied P/S Ratio is lower than the average of approximately 24.75 times and the median of approximately 21.89 times of the P/S Ratios of the Comparable Companies, considering it is within the P/S Ratio range of the Comparable Companies, we are of the view that from a comparable analysis perspective, the Subscription Price is fair and reasonable.

We note that the P/S ratios of the Comparable Companies vary widely, primarily due to differences in the drugs or therapies under development, the nature of the services provided, and the impact of non-recurring out-licensing milestone payments. This dispersion is particularly pronounced given that all of the Comparable Companies fall under Chapter 18A of the Listing Rules. As Chapter 18A companies, they are pre-revenue or early-stage biotechnology issuers whose business models are highly dependent on research and development activities, licensing arrangements, and regulatory milestones. In many cases, revenue streams are not recurring in nature and are concentrated in license fees or R&D service income, which can distort valuation multiples when compared across peers. For example, companies that have secured significant out-licensing agreements or milestone payments in a given year may exhibit temporarily elevated revenue bases, resulting in lower P/S ratios. Conversely, companies without such milestone inflows may show higher P/S ratios, as their revenue remains modest relative to market capitalisation.

In light of the above, we recommend the Independent Shareholders should not assess the Subscription Price based solely on the comparable companies analysis, but consider it together with other factors set out in this letter, including but not limited to: (i) the financial performance and business prospects of the Group; (ii) the comparison of the Subscription Price against historical and recent H Share prices; and (iii) the trading liquidity of the H Shares. Taken together, these considerations provide a more comprehensive analysis for the Independent Shareholders in considering the Share Subscription.

Comparison with comparable issuance

In order to assess the fairness and reasonableness of the Subscription Price, we have also conducted an exhaustive search on the website of the Stock Exchange to identify recent market practices involving the issuance of shares. Based on this review, we identified an exhaustive list of Comparable Transactions (the "**Comparable Transactions**") based on the following criteria: (i) transactions announced by companies listed on the Main Board of the Stock Exchange during the Review Period; (ii) transactions involving a connected subscription of new shares under the specific mandate; and (iii) transactions that did not involve capital reorganisation, debt capitalisation, acquisitions, restructuring, issue of A shares. Such transactions were excluded as the pricing of such transactions may be influenced by factors and conditions that are not comparable to the Share Subscription. The one-year review period also ensures a reliable reflection of the prevailing market sentiment. We did not adopt whether whitewash waiver application is involved as a selection criterion, as we considered that there is no obvious correlation between such application and the pricing discount/premium.

Independent Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company may not be the same as the subject companies of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of similar connected share subscription transactions conducted by companies listed on the Main Board of the Stock Exchange.

In this regard, we have identified 10 Comparable Transactions in total during the Review Period. We are of the view that the Review Period adequately covered the prevailing market conditions and sentiments of the capital market in Hong Kong and the number of the Comparable Transactions identified may provide general reference of the recent common market practice of listed companies in Hong Kong for the relevant transactions. As such, we consider the Comparable Transactions are fair and representative samples for comparison purpose, which represent a full and exhaustive list of relevant comparable issues of shares based on the stated criteria, and are sufficient for assessing the fairness and reasonableness of the Subscription Price.

Summarised below are our relevant findings:

No.	Announcement Date	Company Name (Stock code)	Premium/ (Discount) of the subscription price over/to the closing price per share on/prior to the date of agreement *(approx. %)*	Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement *(approx. %)*
1	28 August 2026	Ev Dynamics (Holdings) Limited (476)	4.80	8.40
2	10 July 2026	Denox Environmental & Technology Holdings Limited (1452)	(16.59)	(10.59)
3	29 May 2026	CAI Corp (80)	10.00	6.80
4	28 May 2026	CITIC Securities Company Limited (6030)	(8.00)	(9.90)
5	26 May 2026	Huicheng International Holdings Limited (1146)	88.70 *(Note 1: Outlier)*	93.80 *(Note 1: Outlier)*
6	16 January 2026	China Youran Dairy Group Limited (9858)	(8.84)	(17.89)
7	24 December 2025	Energy International Investments Holdings Limited (353)	(18.33)	(19.67)
8	17 November 2025	Beijing West Industries International Limited (2339)	(34.21)	(20.00)
9	10 November 2025	China Wacan Group Company Limited (1920)	4.34	0.38
10	3 September 2025	WuXi XDC Cayman Inc. (2268)	(4.00)	2.87
		(Excluding Outlier)		
		Min	(34.21)	(20.00)
		Max	10.00	8.40
		Average	(7.87)	(6.62)
		Median	(8.00)	(9.90)
	30 August 2026	The Share Subscription	(14.86)	(14.86)

Source: the Website of the Stock Exchange

Note:

1. The premium represented by the subscription price in this case was exceptionally high. Based on the NIST (National Institute of Standards and Technology) recommended Modified Z-Score methodology (widely adopted across data science, financial engineering, and industrial statistics), it was identified as an outlier with a Modified Z-Score substantially exceeding the NIST significance threshold. Accordingly, the premium was considered an anomalous observation and excluded from the comparative assessment. No other outliers were identified using the same detection methodology.

2. We consider the remaining comparable analysis (i.e. excluding the outlier) provides a sound basis for evaluating the fairness and reasonableness of the Subscription Price.

Based on the above table, we noted that the subscription prices to the closing price per share on/prior to the dates of relevant agreements of the Comparable Transactions (the "**Market Range**") ranged from a discount of approximately 34.21% to a premium of approximately 10.00%, with the average and median at discount of approximately 7.87% and approximately 8.00% respectively. When compared to the respective average closing prices for the five consecutive trading days prior to/up to and including, the dates of the relevant agreements, the subscription prices ranged from a discount of approximately 20.00% to a premium of approximately 8.40%, with an average and median at discount of approximately 6.62% and approximately 9.90% respectively (the "**5-Days Range**").

Accordingly, the discounts represented by the Subscription Price is within the Market Range and the 5-Days Range. Although the discounts represented by the Subscription Price are below the average and median of the Market Range and the 5-Days Range, we note that (i) the subscription prices of most (i.e. six out of nine) Comparable Transactions (excluding the outlier) were demonstrated at varying degrees of discount to market prices ("**Discounted Comparable Transactions**"); and (ii) the discount represented by the Subscription Price is lower than that of (a) three out of six Discounted Comparable Transactions when measured against the closing price prior to or on the date of the relevant subscription agreements, and (b) three out of five Discounted Comparable Transactions when measured against the average closing price per share for the last five consecutive trading days prior to, and including, the date of the relevant agreements.

Taken together, these observations indicate that while discounts represented by the Subscription Price are below the average and median of the premiums/discounts of the subscription prices to the broader sample of Comparable Transactions, such discount remains consistent with prevailing market practice of the Comparable Transactions.

Overall comments

Having considered that, although the Subscription Price is below the closing prices of the H Shares at all times during the Review Period, (i) an overall downward trend of the H Shares during the Review Period; (ii) the liquidity of H Shares during the Review Period was extreme low; (iii) the implied P/S ratio of approximately 7.05 times is within the P/S Ratio Range; and (iv) the discount represented by the Subscription Price of approximately 14.68% is within the Market Range and the 5-Days Range and remains consistent with the prevailing market practices of the Comparable Transactions as evidenced by the fact that majority of the Comparable Transactions were demonstrated at varying degrees of discount to market prices, we are of the view that the Subscription Price is fair and reasonable.

9. Dilution effect on the shareholding interests of the existing public Shareholders

With reference to the section headed "Effect on the Shareholding Structure of the Company" in the Letter from the Board, the Share Subscription will incur a dilution effect on the shareholding of the existing Shareholders (i.e. from approximately 30.18% to approximately 25.50% immediately after the Completion), having taken into account the reasons for and benefits of the Share Subscription, in particular (i) the result of the Share Subscription can immediately improve the financial position of the Group; (ii) the Share Subscription is an appropriate fund-raising method currently available to the Company; and (iii) the Share Subscription (including the Subscription Price) being on normal commercial terms and fair and reasonable, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

10. The Whitewash Waiver

With reference to the section headed "Effect on the Shareholding Structure of the Company" in the Letter from the Board, as at the Latest Practicable Date, the Subscribers and the Concert Parties, hold an aggregate of 135,349,110 H Shares, representing 69.82% of the total issued share capital of the Company. Following Completion and assuming no other changes to the total issued share capital of the Company prior to Completion, the Subscribers and the Concert Parties will together be interested in a total of 170,941,510 Shares (representing in aggregate approximately 74.50% of the issued share capital of the Company), which comprise 135,349,110 H Shares and 35,592,400 Domestic Shares, representing approximately 58.99% and 15.51% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares (assuming that there is no other change in the issued share capital of the Company), respectively.

As the Share Subscription will increase the shareholding of the Subscribers from approximately 19.33% to approximately 31.84% and, together with the Concert Parties, from approximately 69.82% to approximately 74.50%, pursuant to Rule 26.1 of the Takeovers Code, the issue of Subscription Shares to the Subscribers will give rise to an obligation on the part of the Subscribers to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscribers and the Concert Parties unless the Whitewash Waiver is obtained from the Executive.

Completion is conditional upon, among others, the granting of the Whitewash Waiver by the Executive and approval by the Independent Shareholders. An application has been made by the Company on behalf of the Subscribers to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Share Subscription. The Executive has indicated that the Whitewash Waiver will be granted subject to, among others, the approval by at least 75% and not less than two-third of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Share Subscription (including the grant of the Specific Mandate and the approval of the Share Subscription Agreement), respectively, at the EGM.

The Subscribers and the Concert Parties and their respective associates and any other persons who are involved or interested in the Share Subscription, the Specific Mandate and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Share Subscription will not proceed.

RECOMMENDATION

In summary, in relation to the Share Subscription, we have considered the below factors and reasons in reaching our conclusion and recommendations:

(i) the Share Subscription will directly replenish the Group's cash reserves, reduce short-term debt obligations, improve the overall financial position, and lower financial risks and provide financial flexibility to support its operations so that the Group can maintain momentum in its development programmes and enhance its financial strength to progress its drug pipeline;

(ii) the Share Subscription reflects the confidence of and commitment to support the Group's business by the Subscribers, being the founders of the Company. This will further give the market confidence as to the Company's prospect;

(iii) the Share Subscription is the most appropriate and timely fund-raising method for the Company amongst other fund-raising methods;

(iv) the liquidity of H Shares during the Review Period had been thin. Such low level of liquidity might cause difficulty for Company to conduct fund-raising through the open market; and

(v) although the Subscription Price is below the closing prices of the Shares at all times during the Review Period, the Subscription Price is considered reasonable having regard to (a) an overall downward trend of the H Shares during the Review Period; (b) the liquidity of H Shares during the Review Period was extreme low; (c) the implied P/S ratio of approximately 7.05 times is within the P/S Ratio Range; and (d) the discount represented by the Subscription Price of approximately 14.68% is within the Market Range and the 5-Days Range remains consistent with the prevailing market conditions of the Comparable Transactions as evidenced by the fact that majority of the Comparable Transactions were demonstrated at varying degrees of discount to market prices.

Based on the above, notwithstanding the entering into the Share Subscription Agreement is not in the ordinary and usual course of business of the Company, having taken into account the above principal factors set out in this letter and summarised in the section headed "Recommendation" above, we are of the view that (i) the Share Subscription is in the interests of the Company and the Independent Shareholders as a whole; (ii) the terms of the Share Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committees to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Share Subscription, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited

Irene Poon
Executive Director

Ms. Irene Poon is a responsible officer registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for BaoQiao Partners Capital Limited and has over 20 years of experience in the accounting and corporate financial services industry.