AUTO ITALIA HOLDINGS LIMITED
意達利控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO A DISCLOSEABLE TRANSACTION: SUBSCRIPTION FOR SERIES A PREFERRED SHARES IN CHIME BIOLOGICS LIMITED, A BVI COMPANY WHICH INDIRECTLY HOLDS COMPANIES THAT CARRY ON BIOLOGICS CDMO BUSINESS

Reference is made to the Company's announcement dated 29 January 2020 (the "**First Announcement**") concerning the CBL Subscription by Investor B, which constitutes a discloseable transaction of the Company. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the First Announcement.

The Board would provide further information on the CBL Subscription by Investor B in this supplemental announcement, in addition to that disclosed in the First Announcement.

Business activities of the CBL Group

Preliminary information on the business activities of the CBL Group was disclosed in the First Announcement under the section headed "CBL Restructuring and information on the CBL Group — Information on the CBL Group".

* *For identification purpose only*

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the CBL Group provides client-dedicated and timeline-accelerating CDMO services to enhance the development programs of PRC and overseas biopharmaceutical companies. It is specialising in manufacturing biologics, from upstream biologics development to clinical and commercial manufacturing with both global and regional regulatory affairs expertise. The CBL Group has built an approach to biologics development that enables robust and efficient production of a range of mammalian cell-culture derived therapeutics including monoclonal antibodies and enzymes. The existing and prospective customers of the CBL Group are mainly biopharmaceutical companies, both in and outside of PRC. In general, customers engage the CBL Group to develop biologic manufacturing processes and to manufacture clinical materials for their biologic drug candidates that are entering into clinical trials (from Pre-IND stage to phase III) and even commercialisation. In addition to manufacturing biologics for customers, the CBL Group also has the capacity to assist customers with analytical characterisation, process development and formulation development for their drug candidates, and support their regulatory filings.

Back in early 2016, CBL Wuhan II already completed the construction, and has commenced operation of its current biologics manufacturing facilities, comprising various laboratories and a number of manufacturing bioreactors with 9,000 liters biologics manufacturing capacity, as well as a design aimed at complying with global regulations and Good Manufacturing Practice ("**GMP**") standards. The CBL Group enjoys competitive advantages in the biologics CDMO industry, because of its know-how and experience in adopting and running world-class and innovative bio-processing technology platform and facilities, its know-how and experience in manufacturing biologics products to support clinical trials worldwide as well as a solid track record of completion of manufacturing technology transfer and scale up of biologics products, and in-depth biotech experience and professional background of the working force behind the CBL Group.

In terms of functions, the CDMO services and expertise provided by the CBL Group could be categorised as follows:

(a) Protein Science Group, which involves protein characterisation, process development and optimisation capabilities with advanced analytical tools;

(b) Process Development, which involves development and optimisation of cell culture and purification process capabilities;

(c) Manufacturing Science and Technology, which involves design and facilitation of manufacturing technology transfer;

(d) GMP Manufacturing, which involves production and manufacturing at GMP standard of biologics;

(e) Quality Control & Assurance, which involves design and implementation of quality systems in accordance with global standards; and

(f) Regulatory Affairs, which involves supporting customers' regulatory filings in different jurisdictions (including National Medical Products Administration of PRC, Food and Drug Administration of the US, European Medicines Agency).

The CBL Group currently does not have any proprietary drug candidate of its own that is in research and development.

Reasons for the Group entering into the CBL Subscription Agreement

In the First Announcement, the reasons for the Group entering into the CBL Subscription Agreement were disclosed in the First Announcement under the section headed "Reasons for and Benefits from the CBL Subscription Investor B". The following sets out in greater details the factors and circumstances taken into account by the Board in forming its view that the terms of the CBL Subscription Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

As mentioned in the First Announcement, the CBL Group recorded unaudited consolidated losses before taxation (which are same as unaudited consolidated losses after taxation) of approximately US$8 million and US$32 million for each of the years ended 31 December 2017 and 2018 respectively. In assessing such net-loss position, the Company noted that prior to the issue of the 2018 Parentco CBs, the Old Parentco Group were principally engaged in the research and development of biosimilars (i.e. biologic medical products highly similar to other already approved biological medicines). A lot of expenses previously incurred in 2017 and 2018 were related to research and development of biosimilars which were not actually related to CDMO business. In other words, the reported net loss of US$32 million in 2018 had included these non-CDMO related expenses. From late 2018 onward, the business focus of CBL Group has changed to the provision of biologics development and manufacturing services to biotech and pharmaceutical companies. An independent firm of accountants ("**Independent Accountants**") was retained by the Group to provide certain financial due diligence services in connection with the CBL Group. According to the Independent Accountants, the adjusted net loss (after adjustments for non-CDMO business) for 2017 and 2018 shall be US$10.9 million and US$15.7 million respectively. In addition, based on the due diligence report prepared by the Independent Accountants, the adjusted net loss (after adjustments for non-CDMO business) as recorded by the CBL Group for the first 9 months of 2019 decreased to US$9.3 million (as compared with the adjusted net loss (after adjustments for non-CDMO business) of US$11.8 million for the first 9 months of 2018).

Despite a business model change in late 2018 from proprietary biosimilars development to CDMO business for external clients, the acquired and accumulated technical knowhow, expertise and experience of the CBL Group before late 2018 are greatly beneficial and highly relevant to the development of the CBL Group in CDMO business.

To the best knowledge, information and belief of the Board after having made all reasonable enquiries, as of 31 December 2019, the CBL Group has seven ongoing CDMO contracts involving six different biopharmaceutical customers and has been negotiating to secure more contracts with prospective customers, which in return provides a sustainable source of revenue to the CBL Group. The Company believes that after the CBL Restructuring, the CBL Group could concentrate its time, efforts and resources to carry on and grow the CDMO Business, and could realize a break-even position in near term and may record a profit position in the medium term.

Valuation of the CBL Group

As mentioned in the First Announcement under the section headed "Further Information regarding the CBL Group — Valuation", the Company obtained a valuation report ("**Valuation Report**") dated 20 January 2020 prepared by an independent professional valuer ("**Valuer**") in respect of the CBL Group. Under the Valuation Report, the value of the CBL Group was determined by the Valuer to be in a range of US$276 million to US$288 million as of 30 September 2019, which was much higher than the unaudited consolidated net assets value of the CBL Group of US$47 million as at 31 December 2018.

As mentioned in item (a) on page 12 of the First Announcement, in assessing the value of the CBL Group under the Valuation Report, the Valuer considered three approaches to perform the valuation, namely, the cost approach, the market approach and the income approach. The market approach was chosen by the Valuer as the most appropriate approach on the following grounds:

(i) the cost approach was generally not considered applicable to the valuation of a going concern business or operation, as such approach is a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset, and hence it is suitable to value an individual asset rather than a business or a company as a whole; further, the cost approach would not capture future earning potential of the business (i.e. the ability of the company to generate cash flow in the future); in addition, the CBL Group is not a start-up company and has been carrying on some CDMO operations since 2016 with established track record,

(ii) the income approach was not adopted because the CBL Group started to focus on the CDMO business for a relatively short duration (i.e. from late 2018 onwards), and also because there is no reliable forecast as to future income in respect of the CBL Group and it would involve a lot of subjective assumptions in the forecast; and

(iii) the market approach relies on and uses data generated by actual market transaction. Under the market approach, the Valuer examines investments by unrelated parties in comparable equity securities or examines transactions in comparable equity securities of comparable enterprises. The market approach is considered to be more appropriate having taken into account (among other factors) that the securities of Parentco were listed between September 2015 and February 2018, and the withdrawal of such listing took place in February 2018, and the date of valuation for the purpose of the instant transaction is 30 September 2019. The CBL Group has historically been carrying on CDMO business and providing CDMO services to (among other parties) some members of the Old Parentco Group, and the CBL Group accounted for a significant proportion of the Old Parentco Group in terms of fixed assets and production capacity.

Under the market approach, the Valuer has taken the following steps in the identification and selection of comparable companies:

1. Identifying preliminary comparable companies

   The Valuer initially searched (by reference to industry research report and the recommendation of the management of the CBL Group) firms globally with business in the CDMO/contract manufacturing organisation (CMO) industry and then eliminated certain companies which are (i) only focusing on a particular stage of the CDMO process; and do not provide comprehensive CDMO services; (ii) not acting as independent outsourcing CDMO; or (iii) private companies. Nine companies were selected as the preliminary comparable companies ("**Preliminary Comparable Companies**") at this stage of valuation.

2. Shortlisting comparable companies and application of ratio analyses

   The Valuer then selected four companies out of the Preliminary Comparable Companies and calculated their price-to-book ratio ("**P/B ratio**") and enterprise value to invested capital ratio ("**EV/IC ratio**") for determining the fair market value of the CBL Group. These four companies ("**PRC Comparable Companies**") are principally engaged in outsourcing CDMO businesses and whose place of operations is PRC. The main reasons for the Valuer using the PRC Comparable Companies for the valuation are that (i) the PRC Comparable Companies mainly operate in PRC, and enjoy the growth rate

of the PRC CDMO market; (ii) the PRC Comparable Companies share the same significant operating cost factors; (iii) the PRC Comparable Companies share the same drivers where the popularity of generic drugs has declined and new drugs research and development are on the rise; and (iv) the PRC Comparable Companies share substantially similar benefits driven by the PRC governmental policy and they enjoy similar tax benefits and government subsidies. As advised by the Valuer, the PRC Comparable Companies are the only available public companies for comparison and valuation purpose. Having considered the available information and relevant factors, the Board agrees with the Valuer that these PRC Comparable Companies provide an unbiased sample size.

In respect of different ratio analyses which are used under the market approach, as advised by the Valuer, P/B ratio and EV/IC ratio are the only available and relevant multiples for the valuation of the CBL Group, because the CBL Group recorded loss for the year ended 31 December 2018 (as disclosed under "Financial information of the CBL Group" in the First Announcement) and hence ratio analyses such as enterprise value to EBITDA, enterprise value to EBIT and price-to-earning cannot be used. Further, as the CBL Restructuring started after the privatization of Parentco (i.e. in or after March 2018), and the production facilities of the CBL Group were not fully utilised for CDMO Business during 2018, the Valuer took the view that the unaudited revenue figure of the CBL Group for the year ended 31 December 2018 was not an accurate measure of the performance of the CBL Group, and hence price-to-sales ratio (a possible ratio analysis under the market approach) was not appropriate for the valuation of the CBL Group. Please refer to item (c) on page 13 of the First Announcement for the selection periods of the P/B ratio and EV/IC ratio of the PRC Comparable Companies being applied to the valuation of the CBL Group. The PRC Comparable Companies have P/B ratios ranging from 2.49 to 10.62 and the EV/IC ratios ranging from 1.85 to 10.00 for the year ended 31 December 2018.

Having regard to the identification process of the Preliminary Comparable Companies and shortlisting of the PRC Comparable Companies and also the factors taken into account by the Valuer (as disclosed in items (d) to (g) on page 13 of the First Announcement) in arriving at the valuation of the CBL Group, the Board considers that it has no reason to doubt the bases and methodology taken by the Valuer in the valuation of the CBL Group.

The Valuer made several assumptions in order to arrive at its valuation conclusion which are set out in item (g) on page 13 of the First Announcement.

In connection with the outbreak of the coronavirus in Wuhan (in which the plants and facilities of the CBL Group are located), at the Board meeting held on 23 January 2020 during which the CBL Subscription by Investor B was discussed and approved, the Directors noted and discussed the coronavirus outbreak and its potential impact to the transaction then under consideration. The Company had been closely monitoring the situation development and had requested the CBL Group to prepare an assessment report on the impact of the coronavirus outbreak in Wuhan on the business of the CBL Group. On 28 January 2020, the Company received and reviewed the impact assessment report submitted by CBL Wuhan II (the "**Impact Assessment Report**"). In the Impact Assessment Report, the CBL Group sets out its business continuity plans, top business priorities, assessments on its business operations and business development. After having reviewed the said report but before entering into the CBL Subscription Agreement, the Company was then of the view that the coronavirus outbreak in Wuhan would not significantly affect the fairness and reasonableness of the assumptions in the Valuation Report, after taking into consideration the on-going operation of the CBL Group and the industry development in the long run. To the best knowledge, information and belief of the Company, as of 30 June 2020, none of the employees of the CBL Group was infected with the coronavirus. The CBL Group had already set up various internal steering committees and their management team has been working vigilantly to execute various policies and business continuity plan to mitigate any potential risk and minimize any negative impact to the business operation for this temporary transition period. On 20 March 2020 the CBL Group already obtained official approval from local regulatory to fully resume operation and manufacturing activities. On 8 April 2020 the lockdown of the city of Wuhan was officially ended by the PRC government. The Company will closely monitor the coronavirus outbreak in Wuhan and communicate closely with CBL Group.

The Company's views on the principal factors taken into account by the Valuer in arriving at the value of the CBL Group

In arriving at the value of the CBL Group, the Valuer took into account of the historical financial data of both the Parentco Group and the CBL Group, financial information of comparable companies in the CDMO industry, agreements made by the CBL Group with existing clients and economic and industry research reports and statistics. The Valuer also took account of those principal factors as mentioned in paragraph (f) on page 13 of the First Announcement, which include the following: the stage of development and history of the CBL Group; the current financial condition and historical financial of the CBL Group; the economic outlook of PRC and specific competitive environments affecting the CDMO industry; the legal and regulatory issues of the CDMO industry in general; the risks associated with the CBL Group; the price multiples of the comparable companies identified; and the experience of the CBL Group's management.

In such connection, in assessing the Valuation Report and in arriving at the decision to enter into CBL Subscription Agreement, the Company noted and took into account the following:

(i) *the stage of development and history of the CBL Group*: the CBL Group is not a start-up business and has a track record of over 4 years with substantial experience first on research and development of biosimilars and then on CDMO business since change of business model in late 2018; the securities of Parentco were listed on the Emerging Stock Market of the Taipei Exchange from September 2015 to February 2018. The Company noted its business model has been changed from the research and development of biosimilars to the provision of biologics development and manufacturing services to biotech and pharmaceutical companies in late 2018.

(ii) *the current financial condition and historical financial of the CBL Group*: the Company engaged the Valuer to prepare the Valuation Report. In addition, the Independent Accountants was appointed by the Group to conduct a financial and tax due diligence on the CBL Group and to prepare a report ("**FTDD Report**") thereon. Historical financial statements of the CBL Group were obtained. The Group reviewed the financial conditions of the CBL Group and discussed internally and with the management of the CBL Group after obtaining the reports from the Valuer and the Independent Accountants. There were no material findings in the reports prepared by the Valuer and the Independent Accountants that preclude the Company from entering into the CBL Subscription Agreement and the transaction contemplated therein. In addition, there were no discrepancies identified by the Group between the findings in the reports prepared by the Valuer and the Independent Accountants and the discussion between the Group and the CBL Group. It was also noted that as compared with the CBL Group, the Preliminary Comparable Companies (including the PRC Comparable Companies) are relatively larger in terms of revenue and assets size, more mature in business development and have different financial parameters. However, such differences are not unnatural because all the Preliminary Comparable Companies are listed companies. Notwithstanding the differences in sizes and stage of development, since the CBL Group has begun CDMO business in 2016 and its production facilities and knowhow are considered to be comparable to those of the Preliminary Comparable Companies, the P/B and EV/IC ratios of these industry players provide relevant indicative multiples reflecting good utilisation of assets, efficiency and market risks, which are highly comparable to the CBL Group.

(iii) *the economic outlook of PRC and specific competitive environments affecting the CDMO industry*: the Independent Accountants was also appointed by the Group to conduct a commercial and technical due diligence ("**CTDD**") on the CBL Group and on the CDMO industry background. The CTDD report ("**CTDD Report**") elaborates on the market outlook, trend and downstream analysis of PRC CDMO market, the competitive landscape of the CDMO market and CBL Group's business model and growth potentials. The CTDD Report also analyses the impact and implications of the market study and provides recommendation of strategy plan and direction. The Company noted the CTDD Report and discussed internally in relation to the findings, information and recommendations therein and, on such basis, believed that there is a high growth potential of the CBL Group in the PRC CDMO market.

(iv) *the legal and regulatory issues of the CDMO industry in general*: The Group engaged (aa) a qualified Hong Kong law firm ("**HK Legal Advisers**"), to conduct legal due diligence on CBL HKCo and certain material agreements entered into by Parentco in connection with the CDMO business operated by the CBL Group and (bb) a qualified PRC law firm ("**PRC Legal Advisers**") to conduct legal due diligence on CBL Wuhan I and CBL Wuhan II. The Company examined the legal due diligence reports ("**Legal Due Diligence Reports**") prepared by the HK Legal Advisers and the PRC Legal Advisers and understood the corporate background information and the legal position and other findings of the CBL Group.

(v) *the risks associated with the CBL Group*: the Company identified and considered the risks associated with the CBL Group in different aspects with the help of (but not limited to) the FTDD Report, the Valuation Report, the CTDD Report and the Legal Due Diligence Reports. The Board discussed risks associated with the CBL Group including the negative impacts and challenges to be brought by the potential scale-up commercial operations of the CBL Group. The Board also noted that in compiling the Valuation Report, the Valuer already took account of the business risks of the CBL Group and reflected such risks in the marketability discount. After thorough discussion, the Board acknowledged the risks associated with the CBL Group and was of the opinion that the relevant risks were reasonably controllable.

(vi) *the price multiples of the comparable companies identified*: appropriate price multiples of the PRC Comparable Companies were identified in the Valuation Report. The Company discussed with the Valuer concerning the common valuation methodologies, ratio analyses and models being used in the CDMO industry in the PRC and the background information of the PRC Comparable Companies, which were selected based on industry nature and stage of development. Please refer to "2. Shortlisting comparable companies and application of ratio analyses" on page 5 of this announcement for details. The Company considered that the price multiples of the PRC Comparable Companies identified were appropriate and it was reasonable for the Company to rely on the Valuation Report.

(vii) *the experience of the CBL Group's management*: the Company considered that a knowledgeable and experienced team was important in the CDMO industry. The management team of the CBL Group is experienced, most of the management team members have worked for the CBL Group for more than 3 years and most of them have around 20 years of experience in the biotech industry and most of them have working experience in international pharmacy corporations.

Rights attaching to the CBL Series A Preferred Shares

In the First Announcement under the section headed "CBL Subscription Agreement — Pre-emptive rights and other similar rights", it is mentioned that the CBL Transaction Documents provide for right of first refusal, co-sale, drag along and pre-emptive rights which are customary in the type of special purpose vehicles with different classes of shares. The rights attaching to the CBL Series A Preferred Shares, which are enjoyed by Investor B as holder of the CBL Series A Preferred Shares, are summarised in greater details in the "Annex" at the end of this announcement.

The drag along right attaching to the CBL Series A Preferred Shares enjoyed by Investor B as a holder of the CBL Series A Preferred Shares ("**Drag Along Right**") constitutes an option under Rule 14.72(1) of the Listing Rules. Pursuant to Rule 14.74(1) of the Listing Rules, as the exercise of the Drag Along Right is not at the discretion of the Company, the grant of Drag Along Right will involve a transaction which will be classified as if the Drag Along Right had been exercised. As the exercise price of the Drag Along Right is not yet fixed, the relevant transaction will be classified as at least a major transaction under Rule 14.76(1), and is subject to the approval of Shareholders. In such connection, a circular containing (among other information) (i) further details of the Drag Along Right, (ii) a notice of special general meeting, and (iii) other information as required under the Listing Rules will be despatched to all Shareholders. Such circular is expected to be despatched on or before 30 September 2020.

Funding of CBL Subscription

As disclosed in the First Announcement under the section headed "CBL Subscription Agreement — CBL Series A Preferred Shares and the related subscription price", as to the price of US$32 million payable by Investor B for subscription of the CBL Series A Preferred Shares, US$22 million would be funded from loans borrowed from one Independent Third Party and from a shareholder of Investor A.

As mentioned in the First Announcement and based on the confirmation given by VMS Asset Management Limited which has been kept informed of the formation of Investor A, none of the ultimate beneficial owners of Investor A is a connected person of the Company.

The Company's business plans

The Group has been principally engaged in (i) sale of cars and provision of related services; and (ii) financial investments and services and property investments (collectively, the "**Existing Businesses**"). In both the Company's 2018 Annual Report and 2019 Interim Report, the Company expressed its intention to explore different business opportunities with the aim of bringing long-term enhancement of value to its shareholders.

In the context of the CBL Subscription Agreement, it is the Company's plan to continue to operate and develop its Existing Businesses with due regard to the market conditions as well as the assets and businesses held and operated by the Group. Under the soft market situation for sales of cars in Hong Kong, which was caused mainly by the social unrest since June 2019, the Group will operate and develop the sale of cars business with a flexible approach. The Group will explore a new location in Hong Kong for a new flagship showroom to prepare for the arrival of new models in the pipeline. For Macau, the new Maserati Macau Showroom & Service Centre was opened in May 2019, and it provides comprehensive brand experience for Macau customers and marked the milestone in the network expansion. The new facility not only offers new showroom experience but also provides one-stop solution on after-sales service to current customers with aim to raise the brand and product awareness in the region.

It is also the Company's plan to continue to engage in its property investment business, financing business and financing-related consultancy services with a prudent and flexible approach.

The Company currently expects that there would not be significant changes in the scale and the business model of the Existing Businesses.

For the CDMO business, the Company considers that the CBL Group is a fully-integrated biologics CDMO platform which has the full service capabilities with high quality meeting global standards. The investment in the CDMO business will enable the Company to capture the growth of the biologics market, hence bringing long-term enhancement of value to the Company's shareholders. As Chime Biologics will only be accounted for as an associated corporation (not a subsidiary) of the Company, the Company will monitor the performance of the CDMO business on a regular basis, and will decide (after having taken into account all relevant circumstances) whether to continue to hold the relevant CBL Series A Preferred Shares, to divest them at appropriate opportunity, and/or to participate in corporate actions (if any) of Chime Biologics.

The additional information as disclosed above does not affect any other information contained in the First Announcement.

By Order of the Board
AUTO ITALIA HOLDINGS LIMITED
CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 19 August 2020

As at the date of this announcement, the Board comprises Mr. CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr. LAM Chi Yan, Mr. HUANG Zuie-Chin and Mr. NG Siu Wai, both of whom are executive Directors; and Dr. SANTOS Antonio Maria, Mr. KONG Kai Chuen Frankie and Mr. LEE Ben Tiong Leong, all of whom are independent non-executive Directors.

"Annex"

The rights attaching to the CBL Series A Preferred Shares, which are enjoyed by Investor B as holder of the CBL Series A Preferred Shares, are summarised in greater details as follows:

Dividends	:	Where (and only when) the CBL Board resolves to declare dividends, holder of a CBL Series A Preferred Share is entitled to receive non-cumulative dividends at a rate of 8% per annum of the original issue price for each such CBL Series A Preferred Share held by such holder, on an as converted basis payable out of assets legally available therefor on parity with each other, which payment is prior and in preference to any declaration or payment of any dividend on the CBL Ordinary Shares or any other class or series of shares issued by Chime Biologics.
Liquidation preference	:	Upon the occurrence of any liquidation event as stated in the CBL Transaction Documents, before any distribution or payment shall be made to the holders of any CBL Ordinary Shares, each holder of CBL Series A Preferred Shares shall be entitled to receive with respect to each CBL Series A Preferred Share held by such holder an amount equal to the sum of (a) 100% of the applicable original issue price (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) of such CBL Series A Preferred Share, plus (b) any dividends declared and accrued but unpaid per share with respect to such CBL Series A Preferred Share then held by such holder. Each holder of CBL Series A Preferred Shares shall in the aggregate receive an amount no more than 3 times the original issue price with respect to each CBL Series A Preferred Shares held by such holder.
Voting	:	In respect of matters to be resolved by shareholders of Chime Biologics, holder of CBL Series A Preferred Shares is entitled to such number of votes as equals the whole number of CBL Ordinary Shares into which such holder's collective CBL Series A Preferred Shares are convertible.

In addition, to the extent the applicable laws or the memorandum and articles of association of Chime Biologics allow a series of the CBL Series A Preferred Shares to vote separately as a class (or series) with respect of any matters, CBL Series A Preferred Shares carry the right to vote separately as a class or series with respect to any such matters.

Conversion : Any CBL Series A Preferred Shares may, at the option of the holders thereof, be converted at any time after the date of issuance of such shares, without the payment of an additional consideration, into fully-paid and non-assessable CBL Ordinary Shares based on the then effective applicable conversion ratio.

Each CBL Series A Preferred Share shall automatically be converted, based on the then effective conversion ratio, without the payment of any additional consideration, into fully-paid and non-assessable CBL Ordinary Shares upon the earlier occurrence of (i) in the event that holders of at least a majority of the CBL Series A Preferred Shares (voting as a separate class and on an as-converted basis) ("**Series A Majority**"), vote in favour of a conversion, or (ii) upon the consummation of a qualified IPO (i.e. an initial public offering with an offering price per share (net of underwriting commissions and expenses) that reflects the valuation of Chime Biologics immediately prior to such offering of at least US$500 million and that results in gross proceeds to Chime Biologics (before payment of underwriter's discounts, commissions and offering expenses) of at least US$75 million).

The number of CBL Ordinary Shares to which a holder shall be entitled upon conversion of each CBL Series A Preferred Share shall be the quotient of the applicable original issue price for such CBL Series A Preferred Share divided by the then effective applicable conversion price of such CBL Series A Preferred Share. The "conversion price" of each CBL Series A Preferred Share shall initially be the applicable original issue price of such CBL Series A Preferred Share, resulting in an initial conversion ratio for such CBL Series A Preferred Shares of 1:1, and shall be subject to adjustment as is common for anti-dilution basis.

Right of first refusal : If any holder of shares (including CBL Ordinary Shares and CBL Series A Preferred Shares) of Chime Biologics (other than Investor A and Investor B) proposes to sell or otherwise transfer all or any part of any interest in any shares ("**Offered Shares**") held by it ("**Selling Shareholder**") to any party, the Selling Shareholder shall first offer Chime Biologics the right to purchase the Offered Shares.

In the event Chime Biologics elects not to purchase all of the Offered Shares, the Selling Shareholder shall then offer non-selling holders of CBL Series A Preferred Shares the right to purchase the remaining Offered Shares.

Drag-along	:	If (1) the CBL Board approves a sale transaction with the equity valuation of Chime Biologics of more than US$500 million, or (2) holders holding at least 75% of the then outstanding CBL Ordinary Shares (on an as-converted fully diluted basis) approve a sale transaction (in each case, an "**Approved Sale**"), then Chime Biologics shall promptly notify each of the shareholders (or remaining shareholders, as the case may be) of Chime Biologics (including without limitation, each of the holders of CBL Ordinary Shares and CBL Series A Preferred Shares), (in each case, the "**Dragged Shareholders**") in writing of such approval and the material terms and conditions of such Approved Sale, whereupon each Dragged Shareholder shall, in accordance with instructions received from the Company, among other actions, sell in the Approved Sale, all of its securities in Chime Biologics and vote all of its securities in Chime Biologics in favor of such Approved Sale.
Pre-emptive rights	:	Each holder of CBL Series A Preferred Shares ("**Participation Rights Holder**"), shall have the pre-emptive right to purchase such Participation Rights Holder's Pro Rata Share (as defined below), of all (or any part) of any new securities (including any CBL Series A Preferred Shares and CBL Ordinary Shares) that Chime Biologics may from time to time issue after the date of the CBL Shareholders Agreement ("**Right of Participation**"). A Participation Rights Holder's "**Pro Rata Share**" for purposes of the Right of Participation is the ratio of (a) the number of CBL Ordinary Shares (calculated on an as-converted basis) held by such Participation Rights Holder, to (b) the total number of CBL Ordinary Shares of Chime Biologics then outstanding (calculated on an as-converted basis) immediately prior to the issuance of the new securities giving rise to the Right of Participation.