创胜集团
TRANSCENTA

# Transcenta Holding Limited
# 創勝集團醫藥有限公司

(registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 6628

2024
ANNUAL REPORT

# CONTENT

# Corporate Information

## BOARD OF DIRECTORS

### *Executive Directors*

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer and Chairman of the Board)*
*(Appointed as Chairman of the Board with effect from June 7, 2024)*
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*
*(Resigned as executive Director with effect from April 30, 2024, resigned as Chief Financial Officer with effect from February 28, 2025, Mr. Weiwei Liang was appointed as Acting Chief Financial Officer with effect from March 1, 2025)*

### *Non-Executive Directors*

Dr. Yining Zhao (趙奕寧) *(Chairman of the Board)*
*(Resigned with effect from June 7, 2024)*
Dr. Li Xu (徐莉)
*(Appointed with effect from August 28, 2024)*

### *Independent Non-Executive Directors*

Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋)

## AUDIT COMMITTEE

Mr. Jiasong Tang (唐稼松) *(Chairperson)*
Dr. Yining Zhao (趙奕寧)
*(Resigned with effect from June 7, 2024)*
Mr. Zhihua Zhang (張志華)
Dr. Li Xu (徐莉)
*(Appointed with effect from August 28, 2024)*

## REMUNERATION COMMITTEE

Dr. Kumar Srinivasan *(Chairperson)*
Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)

## NOMINATION COMMITTEE

Mr. Zhihua Zhang (張志華) *(Chairperson)*
Dr. Xueming Qian (錢雪明)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋)
*(Appointed with effect from April 30, 2024)*

## COMPANY SECRETARY

Ms. Leung Kwan Wai (梁君慧)
*(Associate of The Chartered Governance Institute, Associate of The Hong Kong Chartered Governance Institute)*

## AUTHORISED REPRESENTATIVES

Dr. Xueming Qian (錢雪明)
Ms. Leung Kwan Wai (梁君慧)

## AUDITOR

Deloitte Touche Tohmatsu
*Certified Public Accountants*
35/F One Pacific Place
88 Queensway Admiralty
Hong Kong

## REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9008
Cayman Islands

## HEADQUARTERS

B6-501, 218 Xinghu Street
Biobay
Suzhou 215123
China

# Corporate Information

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1928, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong
*(Changed with effect from January 10, 2025)*

## LEGAL ADVISORS

*As to Hong Kong law and United States law*
Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Haiwen & Partners LLP
Suites 1101-1104, 11/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

*As to PRC law*
Zhong Lun Law Firm
6/10/11/16/17F
Two IFC
8 Century Avenue
Pudong New Area
Shanghai
PRC

*As to Cayman Islands law*
Walkers (Hong Kong)
15/F, Alexandra House
18 Chater Road
Central
Hong Kong

## COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue, George Town
Grand Cayman, KY1-9008
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

## PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building
1 Queen's Road Central
Hong Kong

China Construction Bank, Suzhou Branch
No. 158 Wangdun Road, Wuzhong District
Suzhou City, Jiangsu Province
China

## STOCK CODE

6628

## COMPANY WEBSITE

http://www.transcenta.com/

# CEO's Statement

**Dear Shareholders,**

In 2024, Transcenta once again demonstrated our creativity and commitment to building a fully integrated and globally competitive biopharmaceutical company.

Following the regulatory clearance from the U.S. FDA, China CDE, and South Korea MFDS for initiating global phase 3 trial for our best-in-class anti-Claudin18.2 antibody, osemitamab (TST001), we have entered a pivotal stage of development for this program. Coupled with solid clinical data from ongoing trials and the parallel development of a companion diagnostic assay, our osemitamab (TST001) program is well-positioned to gain a strong competitive edge in the global market. Further thereto, we presented promising Phase II data demonstrating the efficacy of osemitamab (TST001) in combination with Nivolumab and CAPOX as a first-line treatment for patients with advanced G/GEJ cancer at both ASCO 2024 and ESMO 2024. Additionally, we were successfully granted the issuance of China patent and Russia patent for Claudin18.2 by the National Intellectual Property Administration of China, and by the Federal Service for Intellectual Property of the Russian Federation in 2024. We also received the issuance of Hong Kong patent by the Intellectual Property Department of Hong Kong in 2025.

Another notable achievement in 2024 was the presentation of compelling data from our Phase I trial of blosozumab (TST002) at the 2024 WCO-IOF-ESCEO Congress. The data demonstrates that such drug candidate shows significant promise in increasing bone mineral density (BMD) and restoring bone strength for patients diagnosed with osteoporosis, which represent rapidly growing patient population in China. With the clearance from China CDE for the Phase II trial for blosozumab (TST002), we will work to advance this program for further development.

We have also made considerable progress in our early-stage pipeline. We have seen auspicious anti-tumor activity of our novel humanized LIV-1 antibody-based ADCs, developed with site-specifical conjugation of Topoisomerase I Inhibitor payloads for treating triple-negative breast cancer.

We are equally excited about the prospect of TST801, our next generation dual inhibitor of BAFF/APRIL. This molecule has displayed promising preclinical activities in depleting memory B cells and is a potential best-in-class agent for Lupus, Lupus nephritis and other B cell dependent diseases.

In addition, we have implemented our strategy in advancing continuous bioprocessing technology to ensure quality and reliable supply. Our integrated bioprocessing platform supports both our internal pipeline needs and provides diversified CDMO services for external clients. Our advanced platform has attracted interest from a few potential partners and we have successfully entered into a term sheet in 2025 with an independent third-party Licensee for a potential Definitive Licensing Agreement, which would bring in license fee plus royalty derived from the license and technology transfer of certain proprietary technologies and intellectual property owned by us.

To further accelerate our pipeline development and broaden our reach, we are committed to forging partnerships and collaborations. We believe that through collaborations, we can fully unlock the potential of our molecules. We eagerly anticipate collaborating with partners whose passion and global vision align with ours.

Moving forward, Transcenta will maintain its unwavering commitment to providing differentiated and affordable biologics for patients. We intend to accelerate the development of osemitamab (TST001) to evaluate the safety and efficacy of such investigational treatment for patients with gastric/gastroesophageal adenocarcinoma from various regions worldwide. We aspire to continue positively impact the lives of osteoporosis patients with Phase II initiation for blosozumab (TST002). We will remain set on seeking partnerships, particularly for our core products.

# CEO's Statement

Fueled by our shared belief of developing innovative solutions to deliver meaningful impact through differentiated pipelines, creating long-term value for shareholders, and addressing unmet medical needs, Transcenta is poised to lead the next wave of innovation. Our core values are going strong as ever as I see them being put to action every day working with my colleagues. I am truly appreciative of what has been achieved and I look forward to seeing what we will accomplish together in 2025 and beyond.

**Dr. Xueming Qian**

*Executive Director, Chairman of the Board and Chief Executive Officer*

Transcenta Holding Limited

Hong Kong

March 30, 2025

# Financial Highlights

**International Financial Reporting Standards ("IFRS") Measures:**

- **Revenue** decreased by RMB42.5 million from RMB53.8 million for the year ended December 31, 2023 to RMB11.3 million for the year ended December 31, 2024, primarily attributable to the decrease in CDMO services.
- **Other income** decreased by RMB13.8 million from RMB37.3 million for the year ended December 31, 2023 to RMB23.5 million for the year ended December 31, 2024, primarily attributable to the decrease in interest income and government grants recognized during the year ended December 31, 2024.
- **Other gains and losses** decreased by RMB22.6 million from a gain of RMB2.4 million for the year ended December 31, 2023 to a loss of RMB20.2 million for the year ended December 31, 2024, primarily attributable to the loss on disposal of property, plant and equipment.
- **Research and development expenses** decreased by RMB189.9 million from RMB382.0 million for the year ended December 31, 2023 to RMB192.1 million for the year ended December 31, 2024, primarily attributable to key pipeline advancement and resource reprioritization.
- **Administrative and selling expenses** decreased by RMB46.9 million from RMB117.4 million for the year ended December 31, 2023 to RMB70.5 million for the year ended December 31, 2024, primarily attributable to the decrease in personnel cost and professional services.
- As a result of the above factors, **loss and total comprehensive expenses for the year** decreased by RMB171.4 million from RMB465.7 million for the year ended December 31, 2023 to RMB294.3 million for the year ended December 31, 2024, primarily attributable to reprioritization in Research and Development (R&D) investment related to our key pipelines and the decrease in personnel cost and professional services.

**Non-International Financial Reporting Standards ("Non-IFRS") Measures:**

- **Revenue** decreased by RMB42.5 million from RMB53.8 million for the year ended December 31, 2023 to RMB11.3 million for the year ended December 31, 2024, primarily attributable to the decrease in CDMO services.
- **Other income** decreased by RMB13.8 million from RMB37.3 million for the year ended December 31, 2023 to RMB23.5 million for the year ended December 31, 2024, primarily attributable to the decrease in interest income and government grants recognized during the year ended December 31, 2024.
- **Research and development expenses** excluding the share-based payment expenses decreased by RMB194.4 million from RMB372.5 million for the year ended December 31, 2023 to RMB178.1 million for the year ended December 31, 2024, primarily attributable to our key pipeline development and resource reprioritization.
- **Administrative and selling expenses** excluding the share-based payment expenses decreased by RMB38.1 million from RMB98.6 million for the year ended December 31, 2023 to RMB60.5 million for the year ended December 31, 2024, primarily attributable to the decrease in personnel cost and professional services.
- **Adjusted loss and total comprehensive expenses for the year** excluding share-based payment expenses decreased by RMB166.9 million from RMB437.3 million for the year ended December 31, 2023 to RMB270.4 million for the year ended December 31, 2024, primarily due to reprioritization in R&D investment related to our key pipelines and the decrease in personnel cost and professional services.

# Business Highlights

## SUMMARY

During the Reporting Period, the Company continued to accelerate clinical progress across both the oncology and non-oncology pipelines.

For our lead oncology asset, the Claudin18.2-targeting antibody osemitamab (TST001), we have reached key milestones for the treatment of gastric or gastroesophageal junction (G/GEJ) cancer. We successfully received regulatory clearances from the U.S. Food and Drug Administration (FDA), China Center for Drug Evaluation (CDE) and South Korea Ministry of Food and Drug Safety (MFDS). In September, we presented encouraging results from the cohort-G data for osemitamab (TST001) plus checkpoint inhibitor and standard of care chemotherapy as the first-line treatment for patients with advanced G/GEJ cancer (TranStar102) at ESMO (European Society for Medical Oncology) 2024 annual meeting. The results showed that the median progression-free survival (PFS) reached 14.2 months and the confirmed objective response rate was 68% for patients with high or medium (H/M) CLDN18.2 expression and known PDL1 status. All the achievements validate and further support our strategy for a global Phase III trial (TranStar301). Osemitamab (TST001) is on track to become a promising global therapy that delivers the next wave of innovation in the first-line treatment of patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ cancer. We also plan to explore several Claudin18.2 expressing solid tumors other than G/GEJ cancer. We were successfully granted the issuance of China patent for Claudin18.2 in August 2024 by the National Intellectual Property Administration of China, of Russia patent for Claudin18.2 in November 2024 by the Federal Service for Intellectual Property of the Russian Federation, and of Hong Kong patent for Claudin18.2 in March 2025 by the Intellectual Property Department of Hong Kong.

For our lead non-oncology asset, the anti-sclerostin antibody blosozumab (TST002), we presented Single Ascending Dose (SAD) study results at the 2024 World Congress on Osteoporosis, Osteoarthritis and Musculoskeletal Diseases (WCO-IOFESCEO Congress) in April. Our findings have shown that after a single dose of blosozumab (TST002) up to 1,200 mg, the average increase of lumbar spine BMD at day 85 (D85) ranged from 3.52% to 6.20% and total hip BMD from 1.30% to 2.24% across dose cohorts. The lumbar spine BMD increase exceeded the least significant difference level (2.77%) and was clinically meaningful.

In addition, we presented a late-breaking poster for preclinical study results of TST013 at the San Antonio Breast Cancer Symposia (SABCS) in December 2024. TST013, a novel humanized LIV-1 antibody-based antibody drug conjugate (ADC) with site-specific conjugation and Topoisomerase I Inhibitor payload displayed significantly higher anti-tumor activities than same target based ADCs with payload of MMAE in triple negative breast cancer (TNBC) tumor models.

In 2024, we initiated IND-enabling studies for TST801, our first-in-class bifunctional antibody fusion protein of anti-BAFF antibody and TACI receptor. BAFF and APRIL, two ligands that TACI receptor binds, are involved in regulating B cell activation and differentiation, with both being validated targets in several autoimmune diseases such as Systemic Lupus Erythematosus (SLE), Lupus Nephritis (LN) and IgA nephropathy (IgAN). Therefore, TST801 has the potential for the treatment of multiple diseases with high unmet medical needs and high prevalence globally.

Furthermore, progress has been made in improving our continuous bioprocessing platform technology HiCB (Highly Intensified Continuous Bioprocessing) and the technology has been successfully implemented in the GMP manufacturing of osemitamab (TST001) for use in pivotal trials.

As of the date of this annual report, a shortlist of our achievements includes the following:

# Business Highlights

## CLINICAL PROGRAMS ACHIEVEMENTS

### *Osemitamab (TST001, A Humanized ADCC Enhanced Claudin18.2 mAb for Solid Tumors)*

- In April 2024, we presented the safety and PK data of TranStar101 study at the 2024 American Association for Cancer Research (AACR) annual meeting. The safety and pharmacokinetic profile of osemitamab (TST001) in the U.S. patients, is consistent with the profile reported in Chinese patients from the TranStar102 study.
- In June 2024, we presented the initial efficacy and safety data of Cohort-G in the TranStar102 study for osemitamab (TST001) plus checkpoint inhibitor and CAPOX (triplet) as the first-line treatment of patients with locally advanced or metastatic G/GEJ cancer at American Society of Clinical Oncology (ASCO) annual meeting. Patients were enrolled regardless of their level of CLDN18.2 expression or PD-L1 CPS value. The efficacy endpoint, median progression-free survival (PFS) of the triplet in the G/GEJ cancer patients with high/medium (H/M) Claudin18.2 expressing and PDL1 status known tumors, was 12.6 months. This further supports our strategy of developing this triplet combination for the first line treatment of CLDN18.2 positive G/GEJ cancer in a global Phase III trial.
- In August 2024, we were successfully granted the issuance of China patent for Claudin18.2 by the National Intellectual Property Administration of China.
- In September 2024, we presented updated data from Cohort-G for osemitamab (TST001) plus Nivolumab and CAPOX (triplet) as the first-line treatment for patients with advanced G/GEJ cancer (TranStar102) at ESMO annual meeting. The results demonstrated that the median PFS continued to improve with longer follow-up and reached 14.2 months for patients with tumors of H/M CLDN18.2 expression and known PD-L1 status. The confirmed objective response rate was 68% in this patient population. The 12-month survival rate for the overall population (82 patients, including all CLDN18.2 expression levels) in this cohort was 73.8%.
- In November 2024, we were successfully granted the issuance of Russia patent for Claudin18.2 by the Federal Service for Intellectual Property of the Russian Federation.

### *Companion Diagnostic Test (CDx) Progress for Osemitamab (TST001)*

- Since the Company extended the collaboration with Agilent, a world leader in CDx development, the development of Claudin18.2 companion diagnostics (CDx) has advanced as planned to support the TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with checkpoint inhibitor and chemotherapy as the first-line treatment in patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ adenocarcinoma. A poster was presented jointly by Transcenta and Agilent at AACR in April 2024 to highlight the technical performance parameters of the IHC assay. Such tool will help us identify patients with high likelihood to benefit from osemitamab (TST001), thus potentially increase the probability of success of the Phase III trial as well as enable the gathering of all necessary information in support of future premarket approval activities, at appropriate times.

### *Blosozumab (TST002, A Humanized Sclerostin mAb for Osteoporosis)*

- Blosozumab (TST002) SAD study result was published in the 2024 WCO-IOF-ESCEO Congress. The study result has also been presented in 2024 Chinese Society for Osteoporosis and Bone and Mineral Research Congress (CSOBMR) in April. After a single dose of blosozumab (TST002) up to 1,200 mg, the average increase of lumbar spine BMD at day 85 (D85) ranged from 3.52% to 6.20% and total hip BMD from 1.30% to 2.24% across dose cohorts. The lumbar spine BMD increase exceeded the least significant difference level (2.77%) and was clinically meaningful.

# Business Highlights

### *TST003 (A First-in-Class Humanized Anti-GREMLIN-1 Antibody)*

- TST003-1001 study, the FIH trial, is ongoing at multiple clinical centers in the U.S. and China. Dose escalation of monotherapy has been completed. TST003 has demonstrated good safety and tolerability, and dose proportional PK profiles were observed.
- A Trial in Progress (TiP) poster of TST003-1001 study was presented at the 2024 AACR annual meeting.

## RESEARCH/EARLY DEVELOPMENT UPDATE

### *TST105 (A Bispecific ADC Candidate Targeting Biomarker Expressing Gastric Cancer and Other Solid Tumors)*

- TST105 is a humanized bispecific antibody-based drug conjugate (ADC) targeting FGFR2b and an undisclosed tumor antigen, FGFR2b is a validated tumor antigen overexpressed in gastric cancer, lung cancer and other solid tumors. We have obtained promising anti-tumor activity data for lead the antibody in *in vivo* studies. We are currently developing the bispecific ADC to improve therapeutic window.

### *TST013 (An ADC Candidate Targeting a Validated Tumor Antigen)*

- TST013 is a next generation ADC targeting LIV-1, a clinically validated tumor antigen that is highly expressed in breast cancer and other solid tumors. The ADC molecule combines the site-specific conjugation of TOPO-I inhibitor, with an in-house humanized antibody which has distinct epitope and prolonged PK. We have obtained exciting anti-tumor activity data in *in vivo* pharmacology studies for the ADC lead molecules and initiated the IND-enabling studies. Compared with the benchmark ADC, TST013 displayed significantly improved anti-tumor activity with a good tolerability profile at clinically relevant doses.
- In December 2024, we presented a late-breaking poster for the preclinical data of TST013 at the San Antonio Breast Cancer Symposia (SABCS) 2024 titled "Novel Humanized LIV-1 Antibody Based ADCs Site-Specifically Conjugated with Topoisomerase I Inhibitor Payloads Displayed Significantly Higher Anti-tumor Activities than MMAE Based ADCs in TNBC Tumor Models". The lead LIV-1 ADCs (ADC-1 and ADC-2) were engineered using the Company's proprietary antibody with site-specific conjugation of Topoisomerase I (Topo I) inhibitor payloads. These ADCs demonstrated significantly higher tumor regression activities than MMAE-based ADCs in TNBC tumor models. The significantly enhanced anti-tumor activities of ADC-1 and ADC-2 are likely due to the high binding affinity and high internalization efficiency of our proprietary antibody to LIV-1 and the high cytotoxicity of Topo I inhibitor for cancer cells. These data warrant further investigation of the lead LIV-1 targeting ADCs (ADC-1 and ADC-2) as potential next-generation therapeutic agents in LIV-1 expressing breast cancer and other solid tumors.

### *TST801 (A Bifunctional Antibody Fusion Protein for Autoimmune Diseases)*

- TST801 is a first-in-class bifunctional antibody fusion protein of anti-BAFF antibody and TACI receptor. BAFF and APRIL, the ligands for TACI receptor, are involved in regulating B cell activation and differentiation. Both ligands are validated targets in several autoimmune diseases SLE, LN, IgAN and etc. Therefore, TST801 has the potential of delivering improved efficacy in those diseases as well as other B-cell related autoimmune diseases. We have selected the lead molecule and initiated IND-enabling studies. The *in vivo* studies of this molecule in the human BAFF overexpressing transgenic mice demonstrated the promising activity in reducing memory B cells, double stranded DNA (dsDNA), Immunoglobulin A (IgA), Immunoglobulin M (IgM) and Immunoglobulin G (IgG), as well as reducing proteinuria and the kidney damage scores.

# Business Highlights

### *TST808 (A Humanized Antibody Neutralizing One of the Validated Key Targets Regulating B/Plasma Cell Proliferation and Survival)*

- TST808 is a humanized antibody neutralizing one of the validated key targets regulating B/plasma cell proliferation and survival. TST808 has improved properties in blocking B cell proliferation and signalling. It has extended half-life as well. TST808 has the potential of treating multiple autoimmune renal disorders including IgAN. We have obtained lead molecules and initiated IND-enabling studies.

## BUSINESS DEVELOPMENT ACHIEVEMENTS

- We have continued the clinical trial collaboration with BMS, and completed the enrolment of phase 2 cohorts of the osemitamab (TST001) checkpoint inhibitor and chemotherapy combination in the TranStar102 trial in China and in the TranStar101 trial in the U.S.
- We have advanced our collaboration with Agilent for our Claudin18.2 specific IHC CDx Assay to support the TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with checkpoint inhibitor and chemotherapy.
- For osemitamab (TST001), we are in active discussions with potential partners to support global development and commercialization and have received multiple term sheets in connection therewith.
- We have received a milestone payment from a R&D collaboration partner, which contributed to enhanced financial sustainability.
- We continue to explore potential collaborations for other pipeline programs, aiming to leverage global expertise and resources of potential partners for development and commercialization. Additionally, we are evaluating strategic deal structures, including the formation of companies ("**NewCo**") to advance preclinical and clinical-stage assets with external funding, reducing risk for the parent company while enabling focused and efficient asset development, to accelerate time to market and maximize asset value.
- We have signed a term sheet regarding the out-licensing of our advanced HiCB platform technologies. We are in active discussion with additional global partners interested in licensing our proprietary technology platforms.
- We have strengthened our technology partnerships, having formed a strategic alliance with a company specialized in siRNA drug substance synthesis, to provide CDMO services in siRNA formulation development and F&F.
- Our in-house cell culture media ExcelPro CHO is being evaluated for its performance against market standards for fed-batch, and perfusion processes by multiple external partners, including global leading companies of CHO cell culture media business. This provides opportunity for potential collaboration of global commercialization of ExcelPro CHO media.

# Business Highlights

## CMC&CDMO UPDATES

### *CMC deliverables*

- In support of osemitamab (TST001) late-stage development and eventual registration filing, a successful FDA Type C meeting was held with agreement being reached on comparability strategy and plan in support of implementation of integrated hybrid continuous downstream process for manufacturing of osemitamab (TST001) for commercial supply. We have also developed high concentration formulation for enabling subQ administration.

### *Platform and technology development*

- We continued to improve our in-house cell line expression system and are on track to make it available for the development of the internal programs as well as licensing to CDMO clients and industry partners.
- We continued our efforts to further improve perfusion media and fed-batch media. We established a new generation of the perfusion media, and both basal and feed medium for fed-batch processes, which are ready for commercialization.
- We acquired lyophilization technology and optimized lyo cycle development to support both internal and external CDMO client programs.

### *CDMO business*

- We have expanded our services in siRNA drug product development and increased our exposure in international markets.
- We have extended our services to clients in need of drug product in lyophilization dosage form for ADC and bispecific antibody modalities.
- We are also engaging with potential partners with interest in licensing our technology platform or engaging us to develop and optimize cell culture medium for their proprietary cell lines.

# Management Discussion and Analysis

## OVERVIEW

We are a clinical stage biopharmaceutical company with fully integrated capacities in discovery, research, development, and manufacturing. With the commitment of an experienced team of extensive global clinical research and development capabilities, we are pursuing biological innovations of high scientific and commercial potentials in a variety of therapeutic areas including oncology, osteoporosis, kidney disease and autoimmune diseases.

We have implemented a multi-regional development strategy with an aim to forge a global commercial pathway for our products. In the case of our lead biological osemitamab (TST001), we have obtained respective approvals from U.S. FDA, China CDE and South Korea MFDS for initiating a global Phase III trial for osemitamab (TST001) in combination with checkpoint inhibitor and chemotherapy as the first-line treatment for patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ adenocarcinomas. A proprietary Claudin18.2 companion diagnostic assay has also been developed to support the patient selection in the pivotal trial.

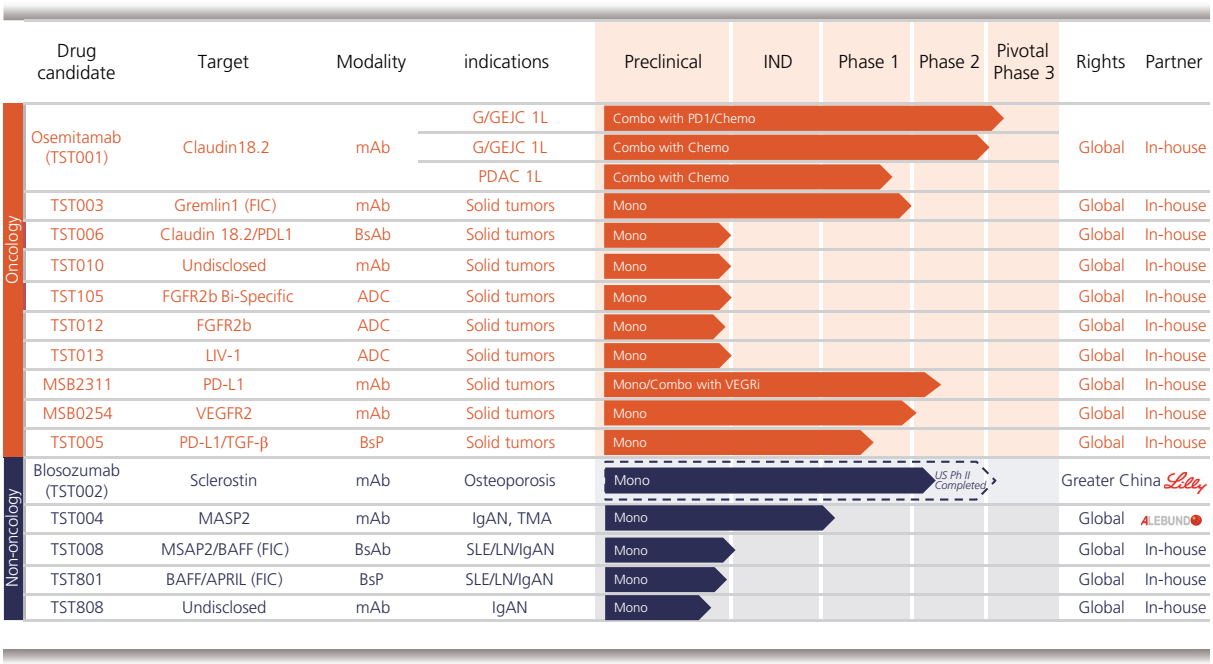
Our proprietary antibody discovery platform empowers us to discover best-in-class or first-in-class agents. Our comprehensive CMC capabilities facilitate the seamless transition of these agents from discovery to clinical trials, and ultimately being rolled out to the market, and benefiting patients globally. Our advanced translational science platform allows us to identify biomarkers for precise patient selection of those benefiting our assets the most, thus greatly increase the probably of success. Our HiCB manufacturing platform technology empowers us to offer patients with high-quality products at a significantly lower cost. Lastly, we are also leveraging our comprehensive CMC capabilities to provide top-notch CDMO services, generating revenue to finance our operations effectively.

Moreover, we continued on advancing our global strategy through partnerships with international and domestic biopharmaceutical companies and leading academic institutions, leveraging global expertise in R&D, manufacturing, and commercialization. Additionally, we are exploring innovative deal structures, including NewCo entities, to accelerate market entry and maximize asset value. Such initiatives, together, shall help optimize global rights management, strengthen financial sustainability, and expand commercial opportunities for our pipeline.

# Management Discussion and Analysis

## *Our Product Pipeline*

We have established a diversified and differentiated pipeline of 15 molecules in oncology, bone disorders and nephrology. All but one of our antibody candidates were generated in-house by our antibody discovery platform covering validated, partially validated, and novel biological pathways. One pipeline candidate (blosozumab (TST002)) was acquired through in-licensing. The following chart summarizes our drug candidates that are currently under development globally across various therapeutic areas as of the date of this annual report:




*Source: Company*

*Abbreviations: PD-L1=Programmed death-ligand 1; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First-in-class; HPV=Human Papillomavirus; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; LN=Lupus nephritis; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Mono=Monotherapy; Combo=Combination; Chemo=Chemotherapy; VEGFR2=Vascular endothelial growth factor receptor 2 inhibitor.*

(1) Solid tumors in the "Indications" column include all tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established preclinical/clinical evidence. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section of the prospectus of the Company dated September 14, 2021 for the specific tumor types targeted for clinical development.

(2) Global in the "Clinical trial region" column represents Asia (including China), North America, South America, Europe and Oceania.

# Management Discussion and Analysis

## BUSINESS REVIEW

We are proud to have developed TST001, TST002, TST004, TST801 and TST808, our five best-in-class molecules, and TST003 and TST008, our two first-in-class molecules that address serious unmet medical needs for patients. During the Reporting Period, we have made significant progress with our pipeline assets in both oncology and non-oncology therapeutic areas and achieved multiple clinical and preclinical milestones that are listed as follows:

### *Oncology Program*

Our oncology pipeline includes multiple innovative and differentiated biologic molecules targeting major cancer pathways. Several drug candidates, including osemitamab (TST001), MSB0254, TST003, TST105, TST012 and TST013, are designed to achieve anti-tumor activities with different mechanisms that are potentially synergistic with each other for indications with high unmet medical needs. Our key oncology candidates include:

- Osemitamab (TST001), our lead asset, is a potential best-in-class and differentiated antibody targeting Claudin18.2, a validated tumor associated antigen in several solid tumors, including but not limited to gastric and gastroesophageal cancer, pancreatic cancer and lung cancer. Approvals to launch a global Phase III registration trial (TranStar301) to develop osemitamab (TST001) in combination with checkpoint inhibitor and chemotherapy as the first-line treatment for Claudin18.2 expressing G/GEJ adenocarcinomas have been received from the U.S. FDA, China CDE and South Korea MFDS. Further explorations include other Claudin18.2 expressing tumors in addition to G/GEJ cancer.
- MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting/normalizing tumor angiogenesis.
- TST003 is a first-in-class humanized antibody targeting GREMLIN-1.
- TST012 is an ADC candidate targeting FGFR2b at preclinical stage, targeting biomarker expressing gastric cancer and other solid tumors.
- TST105 is a bispecific ADC candidate targeting FGFR2b and an undisclosed tumor antigen at preclinical stage, targeting biomarker expressing gastric cancer, lung cancer and other solid tumors.
- TST013 is a next generation ADC targeting LIV-1, a clinically validated target antigen, a candidate at preclinical stage with potential targeting breast cancer and other tumor types.

Our broad portfolio also offers opportunities to cover additional unmet medical needs through various combinations: for example, MSB0254 and TST003 are highly synergistic with osemitamab (TST001) which enables the enhancement of our Claudin18.2 franchise through proprietary combinations with osemitamab (TST001); TST003 and MSB0254 combinations have the potential to offer new therapeutic alternatives for various solid tumors.

# Management Discussion and Analysis

***Osemitamab (TST001) (A Humanized ADCC Enhanced Claudin18.2 mAb for Solid Tumors)***

Osemitamab (TST001), our lead asset, is a potential best-in-class and ADCC enhanced humanized antibody specifically targeting Claudin18.2 with high-affinity. Claudin18.2 is overexpressed in multiple tumor types, including G/GEJ cancer, pancreatic ductal adenocarcinoma (PDAC) and lung cancer. Our strategy is to lead the next wave of innovation by developing osemitamab (TST001) combination with the latest standard of care (i.e., chemotherapy +/- checkpoint inhibitor), thereby delivering more effective treatment to patients with Claudin18.2 expressing solid tumors including G/GEJ cancer, PDAC and lung cancer.

In the first-line Claudin18.2 positive G/GEJ cancer, the combination of Claudin18.2 targeting antibody with chemotherapy has been validated by a competing molecule as an effective treatment option in two global Phase III trials. The competing molecule benefits around 38% of G/GEJ cancer, based on data from its clinical trials. Osemitamab (TST001) is a second generation Claudin18.2 targeting antibody designed to have more potent anti-tumor activities than the competing molecule, with higher binding affinity and more potent ADCC (antibody-dependent cellular cytotoxicity) than the competing molecule. ADCC accounts for the direct killing of cancer cells by the anti-Claudin18.2 antibody. Our preliminary clinical data indicated that osemitamab (TST001) had the potential to benefit a broader patient population (~55% of G/GEJ cancer). Our differentiation strategy in the first-line advanced or metastatic G/GEJ cancer is to lead the next wave of innovation by developing osemitamab (TST001) in combination with checkpoint inhibitor and chemotherapy, a potentially more effective treatment for patients with Claudin18.2 expressing G/GEJ cancer.

We have made significant progress in 2024 in advancing the clinical development for osemitamab (TST001), which includes:

## *Recent Product Developments and Milestones*

- In April 2024, we presented the safety and PK data of the TranStar101 study at the 2024 AACR annual meeting. The safety and pharmacokinetic profile of osemitamab (TST001) in the U.S. patients, is consistent with the profile reported in Chinese patients from the TranStar102 study.
- In June 2024, we presented the initial efficacy and safety data of Cohort-G in the TranStar102 study for osemitamab (TST001) plus checkpoint inhibitor and CAPOX (triplet) as the first-line treatment of patients with locally advanced or metastatic G/GEJ cancer at ASCO annual meeting. Patients were enrolled regardless of their level of CLDN18.2 expression or PD-L1 CPS value. In the G/GEJ cancer patients with high/medium (H/M) Claudin18.2 expressing and PDL1 status known tumors, the efficacy endpoint, median progression-free survival (PFS), of the triplet was encouraging with median PFS of 12.6 months. This further supported our strategy of developing this triplet combination for the first-line treatment of CLDN18.2 positive G/GEJ cancer in a global Phase III trial.
- In August 2024, we were successfully granted the issuance of China patent for Claudin18.2 by the National Intellectual Property Administration of China.
- In September 2024, we presented the updated data from cohort-G for osemitamab (TST001) plus Nivolumab and CAPOX (triplet) as the first-line treatment for patients with advanced G/GEJ cancer (TranStar102) at ESMO annual meeting. The results showed that the median PFS continued to improve with longer follow-up and reached 14.2 months for patients with tumors of H/M CLDN18.2 expression and known PDL1 status, with the confirmed objective response rate being 68% in this patient population. The 12-month survival rate for the overall population (82 patients, including all CLDN18.2 expression levels) in such cohort was 73.8%.
- In November 2024, we were successfully granted the issuance of Russia patent for Claudin18.2 by the Federal Service for Intellectual Property of the Russian Federation.

# Management Discussion and Analysis

***CDx Progress for Osemitamab (TST001)***

## *Recent Product Developments and Milestones*

- Since the Company extended the collaboration with Agilent, a world leader in CDx development, the development of Claudin18.2 companion diagnostics (CDx) has progressed forward as planned to support the TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with checkpoint inhibitor and chemotherapy as the first-line treatment in patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ adenocarcinoma. A poster was presented jointly by Transcenta and Agilent at AACR in April 2024 to highlight the technical performance parameters of the IHC assay. Such tool will help us identify patients with high likelihood to benefit from osemitamab (TST001) thus potentially increase the probability of success of the Phase III trial as well as enable the gathering of all necessary information in support of future premarket approval activities, at appropriate times.

***MSB0254 (A Humanized VEGFR2 mAb Candidate for Solid Tumors)***

MSB0254 is a high affinity humanized antibody against VEGFR2, designed to inhibit tumor angiogenesis. MSB0254 was generated using the Company's in-house antibody discovery platform. VEGFR-2 is overexpressed in neovascular endothelial cells in many tumors. VEGFR-2 pathway controls vascular permeability, survival and migration of the neovascular endothelial cells. VEGFR-2 is a clinically validated target in various tumor types including gastric cancer, non-small cell lung cancer and colorectal cancer. We have completed the Phase I dose escalation study and determined RP2D dose. Given proven activity of anti-VEGFR2 antibody in neovascular dependent tumors and observed synergy with other anti-tumor agents, we plan to use MSB0254 as the combination partner for our proprietary oncology assets.

***TST003 (A First-in-Class Humanized Anti-GREMLIN-1 Antibody)***

TST003 is a first-in-class and high affinity humanized monoclonal antibody targeting GREMLIN-1, a regulatory protein that is highly expressed by stromal cells and tumor cells in diverse human carcinomas, especially in colon cancer, prostate cancer, gastric cancer, lung cancer, esophageal cancer, pancreatic ductal adenocarcinoma, and breast cancer. It is currently tested in a global FIH trial.

## *Recent Product Developments and Milestones*

- TST003-1001 study, the FIH trial, is ongoing at multiple clinical centers in the U.S. and China. Dose escalation as monotherapy has been completed. TST003 has demonstrated good safety and tolerability, and dose proportional PK profiles were observed.
- A Trial in Progress (TiP) poster of TST003-1001 study was presented at the 2024 AACR annual meeting.

***TST012 (An ADC Candidate Targeting FGFR2b, Targeting Biomarker Expressing Gastric Cancer and Other Solid Tumors)***

TST012 is an ADC candidate targeting FGFR2b, targeting biomarker expressing gastric cancer and other solid tumors. We have obtained the lead molecule and finished the cell line development. Such targeted program will be complementary to our osemitamab (TST001) program in gastric cancer. As at the date of this annual report, it is at preclinical stage.

***TST105 (A Bispecific ADC Candidate Targeting Biomarker Expressing Gastric Cancer and Other Solid Tumors)***

TST105 is a humanized bispecific antibody-based drug conjugate (ADC) targeting FGFR2b and an undisclosed tumor antigen, FGFR2b is a validated tumor antigen overexpressed in gastric cancer, lung cancer and other solid tumors. We are currently developing the bispecific ADC to improve therapeutic window. As at the date of this annual report, it is at preclinical stage.

# Management Discussion and Analysis

## *Recent Product Developments and Milestones*

- In 2024, we have demonstrated potent anti-tumor activity from *in vivo* pharmacology studies for the ADC lead molecule selection and additional preclinical studies are ongoing.

### *TST013 (An ADC Candidate Targeting a Validated Tumor Antigen)*

TST013 is a next generation ADC targeting LIV-1, a clinically validated tumor antigen, LIV-1 is highly expressed in breast cancer and other solid tumors. The ADC molecule combines the site-specific conjugation of TOPO-I inhibitor, with an in-house humanized antibody which has distinct epitope and prolonged PK. We have obtained exciting anti-tumor activity data in *in vivo* pharmacology study for the ADC lead molecules. Compared with the benchmark ADC, TST013 displayed significantly improved anti-tumor activity with a good tolerability profile at clinically relevant doses. As at the date of this annual report, it is at preclinical stage.

## *Recent Product Developments and Milestones*

- In 2024, we have initiated the IND-enabling studies.
- In December 2024, we presented a late-breaking poster for the preclinical data of TST013 at the San Antonio Breast Cancer Symposia (SABCS) 2024, titled "Novel Humanized LIV-1 Antibody Based ADCs Site-Specifically Conjugated with Topoisomerase I Inhibitor Payloads Displayed Significantly Higher Anti-tumor Activities than MMAE Based ADCs in TNBC Tumor Models". The lead LIV-1 ADCs (ADC-1 and ADC-2) were engineered using the Company's proprietary antibody with site-specific conjugation of Topoisomerase I (Topo I) inhibitor payloads. These ADCs demonstrated significantly higher tumor regression activities than MMAE based ADCs in TNBC tumor models. The significantly enhanced anti-tumor activities of ADC-1 and ADC-2 are likely due to the high binding affinity and high internalization efficiency of our proprietary antibody to LIV-1 and the high cytotoxicity of Topo I inhibitor for cancer cells. These data warrant further investigation of the lead LIV-1 targeting ADCs (ADC-1 and ADC-2) as potential next-generation therapeutic agents in LIV-1 expressing breast cancer and other solid tumors.

## *Non-oncology Program*

Our highly differentiated non-oncology pipeline target bone and kidney diseases (blosozumab (TST002), TST004, TST008, TST801, and TST808) with large patient population and high unmet medical needs. We have been focusing on indication expansion with huge market potentials, with the aim of forming partnerships to accelerate product development.

We have been developing blosozumab (TST002), a Phase II stage agent targeting bone disorders as a lead asset. To further expand our current pipeline in autoimmune diseases, we are developing TST801, a first-in-class bi-functional antibody. This molecule also exhibits potential for treatment of IgA nephropathy and other autoimmune diseases, such as SLE, a progressive disease affecting over three million people worldwide with early onset (age 18-44) and limited treatment options, to slow down or stop the organ damages caused by the disease.

# Management Discussion and Analysis

***Blosozumab (TST002) (A Humanized Sclerostin mAb for Osteoporosis)***

Blosozumab (TST002) is a humanized monoclonal antibody with neutralizing activity against sclerostin for which we in-licensed the Greater China rights from Eli Lilly. Eli Lilly had completed Phase II trial with blosozumab in postmenopausal women in the United States and Japan. The data had shown that blosozumab can induce significant dose-dependent increases in spine, femoral neck, and total hip bone mineral density (BMD) as compared with placebo. Such studies have shown that, in the highest dose group, blosozumab treatment increased mean BMD by 17.7% at the spine, and 6.2% at the total hip from baseline after 12 months. We obtained encouraging data from 32 Chinese patients treated with a single dose of blosozumab (TST002) and followed for 85 days, including safety, bone formation and resorption markers and BMD data. After a single dose of blosozumab (TST002) up to 1,200 mg, the average increase of lumbar spine BMD at day 85 (D85) ranged from 3.52% to 6.20% and total hip BMD from 1.30% to 2.24% across dose cohorts. The safety, efficacy and PK/PD results of this study are consistent with the clinical data in the U.S. patients.

## *Recent Product Developments and Milestones*

- Blosozumab (TST002) SAD study result was presented at the 2024 WCO-IOF-ESCEO Congress in April. The study result has also been presented in 2024 Chinese Society for Osteoporosis and Bone and Mineral Research Congress (CSOBMR). After a single dose of blosozumab (TST002) up to 1,200 mg, the average increase of lumbar spine BMD at day 85 (D85) ranged from 3.52% to 6.20% and total hip BMD from 1.30% to 2.24% across dose cohorts. The lumbar spine BMD increase exceeded the least significant difference level (2.77%) and was clinically meaningful.

***TST004 (A Humanized MASP-2 mAb Candidate for IgAN)***

TST004, one of our key products, is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) designed to prevent inflammation and tissue damage mediated by lectin pathway complement activation. It can be potentially applied to multiple MASP2-dependent complement mediated diseases, including IgAN, a highly prevalent chronic kidney disease globally. As at the date of this annual report, it is at the Phase I stage.

***TST008 (A Bi-Functional Antibody for MASP-2 and BAFF for Autoimmune Diseases)***

TST008 is a first-in-class bispecific antibody combining MASP2 antibody with another molecule blocking B-cell activation and/or differentiation. As at the date of this annual report, it is at preclinical stage.

***TST801 (A Bifunctional Antibody Fusion Protein for Autoimmune Diseases)***

TST801 is a first-in-class bifunctional antibody fusion protein of anti-BAFF antibody and TACI receptor. BAFF and APRIL, two ligands for TACI receptor, are involved in regulating B cell activation and differentiation. Both are validated targets for several autoimmune diseases including SLE, LN and IgAN. Therefore, TST801 has the potential of delivering better efficacy for the treatment of those diseases and potentially other B-cell related autoimmune diseases. We have selected the lead molecule and initiated IND-enabling studies. The *in vivo* study of such molecule in the human BAFF overexpressing transgenic mice demonstrated promising activity in reducing memory B cells, and dsDNA, IgA, IgM and IgG as well as reducing proteinuria and kidney damage scores. As at the date of this annual report, it is at preclinical stage.

# Management Discussion and Analysis

## *Recent Product Developments and Milestones*

- In 2024, we have initiated IND-enabling studies.

***TST808 (A Humanized Antibody Neutralizing One of the Validated Key Targets Regulating B/plasma Cell Proliferation and Survival)***

TST808 is a humanized antibody neutralizing one of the validated key targets regulating B/plasma cell proliferation and survival. TST808 has improved properties in blocking B cell proliferation and signalling. It has extended half-life as well. TST808 has the potential to treat multiple autoimmune renal disorders including IgAN. As at the date of this annual report, it is at preclinical stage.

## *Recent Product Developments and Milestones*

- In 2024, we have obtained the lead molecules and initiated IND-enabling studies.

***Cautionary Statement required by Rule 18A.08(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"):***

The Company cannot guarantee that it will be able to successfully develop or ultimately commercialize any of the above drug candidates. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

## *Research and Early Development Efforts*

We made progress in two early-stage programs which we intended to develop as ADCC enhanced antibody or ADC. We have also made progress in another early-stage program of a first-in-class bifunctional fusion protein for the treatment of SLE to the IND-enabling study stage. We are expanding two new non-oncology targets to B cell and/or complement pathways for autoimmune diseases in our early discovery pipeline.

***Strategic Partnership to Advance Pipeline***

Partnerships and collaborations are considered key to maximizing the clinical and commercial potential of our assets. With the help of our differentiated or first-in-class molecules, we have established clinical trial collaboration with BMS for osemitamab (TST001), in-licensed blosozumab (TST002) rights in the Greater China with Eli Lilly & Company, co-developing TST004 in China with Alebund Pharmaceuticals. Additionally, we have established multiple research collaborations, including one with a MNC for one of our pipeline molecule, and several companies for different ADC platforms, and multiple translational research collaborations with esteemed academic institutions including Dana Farber Cancer Institute of Harvard Medical School and Johns Hopkins University in the U.S..

# Management Discussion and Analysis

Details of our existing partnerships are shown below.

***Osemitamab (TST001)***

We aim to develop osemitamab (TST001) as the global cornerstone treatment in Claudin18.2 expressing solid tumors including G/GEJ cancer, PDAC, and lung cancer.

In 2022, we established a global clinical trial collaboration with Bristol Myers Squibb (BMS) to evaluate the combination of osemitamab (TST001) with Opdivo® (nivolumab), a global approved anti-PD-1 therapy in the first-line G/GEJ cancer, for the treatment of patients with unresectable locally advanced or metastatic Claudin18.2 expressing G/GEJ cancer. We have since continued the clinical trial collaboration with BMS.

We have been discussing with multiple MNCs and other strategic collaborators on the potential global collaboration of osemitamab (TST001) for Claudin18.2 positive gastric cancer and other solid tumors. With validation of Claudin18.2 target by competing molecule in G/GEJ cancer, we believe osemitamab (TST001) will offer a more efficacious treatment for a broader patient population with Claudin18.2 positive G/GEJ cancer through the triple combination, that is, the combination of osemitamab (TST001), the targeted therapy, with the checkpoint inhibitor, and the first-line standard chemotherapy. The global Phase III trial (TranStar301) is designed to generate clinical evidence to support global regulatory approvals.

We have advanced our collaboration with Agilent for our Claudin18.2 specific CDx Assay, which is ready for use in patient selection for our global Phase III study (TranStar301).

We are engaged in active discussions with global collaborators to support the development and commercialization of osemitamab (TST001) and have received multiple term sheets in connection therewith.

***Blosozumab (TST002)***

In 2019, we entered into an exclusive and royalty-bearing license agreement with Eli Lilly for LY-2541546 (blosozumab), LY-3108653 and LY-2950913 (each a "**Licensed Compound**") and by virtue of which, we have obtained exclusive rights to develop, use or commercialize and manufacture the Licensed Compound in the Greater China region including the People's Republic of China ("**PRC**"), Hong Kong, Macau and Taiwan.

We completed the technology transfer, established the manufacturing process for blosozumab (TST002), and GMP production for clinical use and all the additional preclinical studies required for IND application in China. We received IND Clearance from CDE for a Phase II study to validate efficacy and tolerability, and to generate necessary clinical data to support a Phase III study.

We have been actively discussing with multiple domestic pharmaceutical companies for the potential collaboration on the development and commercialization of blosozumab (TST002) in Greater China.

***TST004***

We collaborated with Shanghai Alebund Pharmaceuticals Limited ("**Alebund Pharmaceuticals**") after establishing an equity joint venture registered under the laws of the PRC in 2020 to carry out pre-clinical research and conduct clinical trials in the Greater China region. Currently, we have completed GMP material productions, *in vitro/in vivo* product characterization studies, non-GLP tox studies, GLP tox studies and pharmacology studies.

IND clearance has been obtained from FDA. We are in discussions for potential global collaboration with multiple companies including MNCs on TST004.

# Management Discussion and Analysis

***TST003***

We are in discussion with multiple MNCs and for potential partnership on both oncology and non-oncology applications of this molecule.

***TST801***

We are in discussion with multiple MNCs and others with focus in inflammatory and immunology.

We have engaged with multiple parties for partnership discussions.

***TST808 & TST008***

We have been approached by potential partners for these two assets.

We have received a milestone payment from a R&D collaboration partner, which contributed to enhanced financial sustainability.

We shall continue to explore collaborations for other pipeline programs, aiming to leverage global expertise and resources for development and commercialization. Additionally, we are evaluating strategic deal structures, including New Co formations, to accelerate time to market and maximize asset value.

## *Translational Research Collaborations*

We also participated in multiple research collaborations with esteemed academic institutions around the world, including the Dana-Farber Cancer Institute of Harvard Medical School, Johns Hopkins University, Beijing Cancer Hospital, Shanghai Pulmonary Hospital, Zhongshan Hospital, Zhongshan University, and Shanghai Jiao Tong University. Subjects of such research collaborations include osemitamab (TST001), TST003 and TST005. We also established strategic collaborations with multiple technology platform companies to explore different modalities for innovative targets, including multiple ADC platforms. These research collaborations further enhanced our global leading position in Claudin18.2 targeted combination therapies and elevated the profile of our oncology programs.

## *Technology Partnership & Advancement*

- We have received a term sheet regarding the out-licensing of our advanced HiCB platform technologies. We are in active discussions with additional global partners interested in being prospective licensees of our proprietary technology platforms.
- Our in-house cell culture media ExcelPro CHO are being evaluated for its performance against market standards for fed-batch and perfusion processes by multiple external partners including several global leading companies of CHO cell culture media business. This provides opportunity for potential collaboration in global commercialization of ExcelPro CHO media.
- We have strengthened our technology partnerships, having formed a strategic alliance with a company specialized in siRNA drug substance synthesis, to provide CDMO services in siRNA formulation development and F&F.

# Management Discussion and Analysis

## *CMC & CDMO Updates*

### *CMC Deliverables*

- In support of osemitamab (TST001) late-stage development and eventual registration filing, we had a successful FDA Type C meeting and reached an agreement on the comparability strategy and plan in support of implementation of integrated hybrid continuous downstream process for the manufacturing of osemitamab (TST001) for commercial supply.
- We have also developed high concentration formulation for subQ administration.

## *Platform and Technology Development Advancement*

We have made significant investment and progress in protein expression system, cell culture media development, bioprocessing technology, analytical technology, and expanding our capabilities into ADC and lyophilization drug product development.

- We continued to improve our in-house cell line expression system and are on track to make it available for the development of the internal programs as well as out-licensing to CDMO clients and industry partners.
- We continued our efforts in further improving perfusion media and fed-batch media. We established a new generation of the perfusion media, and both basal and feed medium for fed-batch processes, which are ready for commercialization.
- We acquired lyophilization technology and optimized lyo cycle development to support both internal and external CDMO client programs.

### *CDMO Business*

- We have remained at industry-top success rate since the beginning of our operations, with our CDMO business lending support to our global CDMO clients as well as our internal pipeline.
- We have completed CMC packages in support of clients' IND filings. We have expanded our services in siRNA drug product development and increased our exposure in international markets. We are supporting siRNA projects in formulation development and analytical methods development. We have provided quality consulting services based on our rich experience in quality management.
- We have expanded our services for clients with needs for drug product in lyophilization dosage form for ADC and bispecific antibody modalities.
- To draw in more CDMO business, we have in place a fully revamped website, designed to highlight our expertise and capabilities through engaging and insightful case studies.
- We are also in touch with potential partners with interest in being prospective licensees of our technology platform or wish to enlist our support in developing and optimizing cell culture medium for their proprietary cell lines.

# Management Discussion and Analysis

### *CDMO Out-licensing*

On March 25, 2025, the Company, together with its wholly-owned subsidiary, HJB (Hangzhou) Co., Ltd* (杭州奕安濟世生物藥業有限公司) ("**HJB Hangzhou**") (collectively, the "**Licensor**") entered into a non-binding term sheet (the "**Term Sheet**") with an independent third-party licensee, not connected to the Company and its subsidiaries or associates (as defined under the Listing Rules) (the "**Licensee**"), which set out the preliminary terms agreed between the Licensor and the Licensee. Pursuant to the Term Sheet, the parties intend to negotiate and enter into a formal definitive license agreement (the "**Definitive License Agreement**"), pursuant to which the Licensor shall grant the Licensee a non-exclusive, irrevocable, sub-licensable, and transferable license to use, manufacture, research, develop, and commercialize the licensed products within the designated territory utilizing the Licensor's intellectual property rights ("**CDMO out-licensing**"), in consideration for the payment of a license fee plus royalty, payable upon execution of the Definitive License Agreement, and thereafter at milestones therein specified.

The Directors are of the view that the Definitive License Agreement, once executed, will enhance the Company's financial liquidity position by bringing in near term cash inflow for the Group. By actively exploring such CDMO out-licensing opportunities, the Group is a step closer towards transforming its existing CDMO into a more scalable and replicable business model, thereby creating additional revenue streams for the Group.

## EVENTS AFTER THE REPORTING PERIOD

### *Resignation of the Chief Financial Officer and the Appointment of the Acting Chief Financial Officer*

The Board announces that, Mr. Xiaolu Weng has tendered his resignation as Chief Financial Officer of the Company, with effect from February 28, 2025, to devote more time to his other personal commitments, whilst having agreed to serve as advisor for three months. The Board named Mr. Weiwei Liang ("**Mr. Liang**") as the acting Chief Financial Officer upon the resignation of Mr. Weng. Mr. Liang was also promoted from his former role of Vice President of the Company's Business Development & Corporate Strategy Department to Senior Vice President, both appointments being effective from March 1, 2025.

The Company would like to take this opportunity to express its appreciation to Mr. Xiaolu Weng for his valuable contribution to the Company during his tenure of office as the Chief Financial Officer.

The biographical details of Mr. Liang are set out below:

Mr. Weiwei Liang, aged 49, had been Vice President of Business Development & Corporate Strategy Department of the Company since August 2024 before his promotion to Senior Vice President and his taking on the role of Acting Chief Financial Officer from March 1, 2025. Mr. Liang brings to his twin positions over 20 years of extensive global experience in business development, finance and commercial Strategy, having stepped up progressively into senior roles at Bristol Myers Squibb ("**BMS**"), Novartis, and Bayer.

# Management Discussion and Analysis

Prior to joining the Company, Mr. Liang served as senior director of Business Development at BMS's global headquarters, where he led transformative collaborations and venture investments, whilst having played a key role in advancing artificial intelligence and machine learning innovations to accelerate drug discovery, development, and commercialization across all therapeutic areas. Prior to his tenure at BMS, Mr. Liang held key positions in business development, commercial strategy, and finance at Novartis and Bayer, with his expertise spanning the full business development lifecycle including deal sourcing, due diligence, negotiation, execution, and post-deal integration across a broad range of assets, including molecules, technologies, medical devices, and digital therapeutics. His finance background encompasses business planning and analysis, R&D and commercial finance, supply chain and manufacturing finance, corporate strategy and portfolio management, M&A finance, and controlling, where he served as controller within a strategic business unit.

Mr. Liang holds an MBA from Carnegie Mellon University's Tepper School of Business in the U.S. in 2006 after obtaining his bachelor's degree in Electronics Engineering from Beijing University of Technology (北京工業大學) in 1999.

### *The Entering into of Term Sheet in Relation to Potential License and Technology Transfer under the Group's CDMO business*

On March 25, 2025, the Company and HJB Hangzhou, together as Licensor, entered into a Term Sheet with an independent third-party Licensee, which sets out the preliminary terms for a potential Definitive Licensing Agreement, with license fee plus royalty (payable upon execution and thereafter at milestones) for the license and technology transfer of certain proprietary technologies and intellectual property owned by the Licensor. For details, please refer to the paragraphs headed "CDMO Out-licensing" in the Management Discussion and Analysis of this annual report.

### *Recent progress of our Oncology program*

***TST001***

- The issuance of of Hong Kong patent for Claudin18.2 were granted to us in March 2025 by the Intellectual Property Department of Hong Kong.

***TST105***

- An abstract has been submitted to and accepted by AACR and a poster will be presented in 2025 AACR.

Save as disclosed above, the Group has no other material events since the end of the Reporting Period and up to the date of this annual report.

## FUTURE OUTLOOK

We expect to advance multiple key pipeline molecule programs and continually striving to establish collaboration on our leading assets as well as other pipeline molecules. We also plan to further advance our technology platform and enhance our CDMO business and revenue. A detailed breakdown of our expected developments for the year 2025 is as follows:

### *Clinical Developments*

***Osemitamab (TST001)***

- We plan to continue to advance our global pivotal trial (TranStar301) of osemitamab (TST001) for first-line G/GEJ cancer patients with Claudin18.2 overexpression. We anticipate to submit pivotal trial applications with EMA and in other regions of the world including Japan.

# Management Discussion and Analysis

- We plan to present clinical data from ongoing trials at medical conferences.
- We will continue on exploring several Claudin18.2 expressing advanced solid tumors other than G/GEJ cancer, as well as early-stage G/GEJ cancer.

***TST003***

- We will continue the TST003 Phase I trial to obtain safety, pharmacokinetic and pharmacodynamic data.

***TST013***

- We plan to continue the IND-enabling study for TST013.

***TST801***

- We plan to continue the IND-enabling study for TST801.

## *Potential Partnerships*

- We expect that the potential collaboration with potential partners will steer our lead asset osemitamab (TST001) into global Phase III trial in the first line CLDN18.2 positive G/GEJ cancer, being the critical first step in establishing osemitamab (TST001) as the cornerstone treatment in Claudin18.2 expressing solid tumors including G/GEJ cancer, PDAC and lung cancer.
- We will continue on with our partnership discussions for our clinical assets blosozumab (TST002), TST003, TST004, and pre-clinical assets including oncology assets TST105, TST012 and TST013, as well as non-oncology assets TST008, TST801 and TST808 to maximize the value of our assets.
- We expect to secure a technology licensing deal for our HiCB technology platform.

## *CMC and Technology Developments*

- We plan to fully develop in-house cell line expression system and be ready for internal programs and out-licensing to CDMO clients and industry partners.
- We aim to strengthen our marketing initiatives for the HiCB continuous technology platform, cell culture media products, and development services to attract industry partners for technology licensing and media business collaborations.
- We plan to continue lyophilization technology development to better serve our clients.

## *CDMO*

- We will continue to strengthen and expand business activities globally to increase CDMO contracts from both China and U.S. clients.
- We plan to increase our competitiveness by improving operational efficiency, reducing cost, and expanding new capabilities.

We are committed to advancing our pipeline and actively seeking collaborations to bolster our global development strategy. Our focus remains on fortifying our products and technology platforms to boost efficiency while reducing expenses. By championing our global vision and strategy, we aim to fully unleash the potential of our portfolio and foster sustainable value growth.

# Management Discussion and Analysis

### *Outlook Beyond 2025*

We plan to continue the expansion and advancement of our pipeline. We will also keep on exploring partnership opportunities to enhance the global development and maximize the commercial value of our pipeline assets, as well as keep generating profits from our CDMO business with our leading technology, high quality and lower cost. We will keep on enhancing the benefits for patients and generating added value in our product portfolio with a global vision instilled from the very beginning. We believe that we will be able to unlock the full potential of our portfolio and create long-term value for our Shareholders, customers and patients.

## FINANCIAL REVIEW

**Year Ended December 31, 2024 Compared to Year Ended December 31, 2023**

| | Year ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Revenue** | **11,261** | 53,849 |
| Cost of sales | **(7,258)** | (39,451) |
| **Gross profit** | **4,003** | 14,398 |
| Other income | **23,499** | 37,312 |
| Other gains and losses, net | **(20,238)** | 2,363 |
| Research and development expenses | **(192,055)** | (382,047) |
| Administrative and selling expenses | **(70,513)** | (117,397) |
| Impairment losses under expected credit loss model | **(11,831)** | (1,475) |
| Impairment losses on contract costs | **(10,155)** | – |
| Share of results of a joint venture | **31** | 43 |
| Finance costs | **(13,283)** | (16,017) |
| **Loss before tax** | **(290,542)** | (462,820) |
| Income tax credit | **250** | 250 |
| Loss for the year | **(290,292)** | (462,570) |
| Other comprehensive expense for the year | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of a foreign operation | **(4,030)** | (3,100) |
| Total comprehensive expenses for the year | **(294,322)** | (465,670) |
| **Non-IFRS measure[Note 1]:** | | |
| Add: Adjusted for share-based compensation expenses | **23,931** | 28,328 |
| Adjusted loss and total comprehensive expenses for the year | **(270,391)** | (437,342) |

1 See section below headed "FINANCIAL INFORMATION – Non-IFRS Measure" for the details of the non-IFRS measure adjustments.

# Management Discussion and Analysis

**Selected Data from Statement of Financial Position**

***AS AT DECEMBER 31, 2024***

| | At December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(Audited)** | (Audited) |
| **Non-current assets** | **920,783** | 1,009,256 |
| **Current assets** | **279,494** | 684,043 |
| **Total assets** | **1,200,277** | 1,693,299 |
| **Current liabilities** | **342,507** | 554,292 |
| **Non-current liabilities** | **106,134** | 111,374 |
| **Total liabilities** | **448,641** | 665,666 |
| **Net current assets (liabilities)** | **(63,013)** | 129,751 |

## *1. Revenue*

The Group provides CDMO services and research and development services. CDMO services stand as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage. The research and development services are mainly for investigational new drug enabling studies based on customers' needs.

The Group primarily earns revenues by providing CDMO services and research and development services to its customers through fee-for-service ("**FFS**") contracts. Contract duration is generally a few months to two years. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

The Group's service contracts normally include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 50% of total contract sum as part of its credit risk management policies; this will give rise to contract liabilities at the start of a contract until the deliverable units have been delivered and accepted by customer. The typical credit term is 30 to 90 days upon meeting specified delivery milestones.

# Management Discussion and Analysis

Disaggregated revenue information:

| | Year ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| CDMO services | **9,024** | 53,849 |
| Research and development services | **2,237** | – |
| | **11,261** | 53,849 |

***Transaction price allocated to the remaining performance obligation for contracts with customers***

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and the expected timing of recognizing revenue are as follows:

| | **CDMO services** | **Research and development services** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Within one year | 4,457 | 0 |
| More than one year | 853 | 0 |
| | 5,310 | 0 |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognizing revenue are as follows:

| | **CDMO services** | **Research and development services** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Within one year | 19,123 | – |
| More than one year | 2,652 | – |
| | 21,775 | – |

# Management Discussion and Analysis

## 2. Other Income

Other income consists of bank interest income and government grants. Government grants represent 1) various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received; and 2) amortization of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

For the year ended December 31, 2024, other income of our Group decrease by RMB13.8 million from RMB37.3 million for the year ended December 31, 2023 to RMB23.5 million. The decrease was primarily due to the decrease in interest income and government grants we recognized during the year ended December 31, 2024.

## 3. Other Gains and Losses, Net

Our other net gains and losses changed from gains of RMB2.4 million for the year ended December 31, 2023 to losses of RMB20.2 million for the Reporting Period. The changes were primarily due to the loss on disposal of property, plant and equipment.

## 4. Research and Development Expenses

Research and development expenses primarily consist of pre-clinical expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others. The research and development expenses decreased by 50% from RMB382.0 million for the year ended December 31, 2023 to RMB192.1 million for the year ended December 31, 2024, primarily due to our key pipeline advancement and resource reprioritization.

The following table sets forth the components of the Group's research and development expenses for the year indicated.

| | **Year ended December 31,** | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Clinical expenses | **42,487** | 187,247 |
| Staff cost | **94,196** | 121,520 |
| Materials consumed | **1,028** | 14,487 |
| Depreciation and amortization expenses | **41,707** | 35,283 |
| Others | **12,637** | 23,510 |
| **Total** | **192,055** | 382,047 |

# Management Discussion and Analysis

## *5. Administrative and Selling Expenses*

Our administrative expenses decreased by 39.9% from RMB117.4 million for the year ended December 31, 2023 to RMB70.5 million for the year ended December 31, 2024, primarily due to the decrease in personnel cost and professional services.

Our selling expenses primarily consist of personnel cost, travel, depreciation and amortization and others. Our administrative expenses consist primarily of salaries and related benefits costs for our administrative personnel, professional fees for services provided by professional institutions, depreciation and amortization expenses, office expenses for our daily operation, traveling and transportation expenses, and others.

The following table sets forth the components of the Group's selling and administrative expenses for the year indicated.

| | **Year ended December 31,** | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Salaries and related benefits costs | **32,996** | 59,832 |
| Professional fees | **15,209** | 25,166 |
| Depreciation and amortization expenses | **6,874** | 7,697 |
| Office expenses | **9,758** | 16,036 |
| Traveling and transportation expenses | **1,738** | 3,977 |
| Others | **3,938** | 4,689 |
| | **70,513** | 117,397 |

# Management Discussion and Analysis

## 6. *Trade and other receivables*

| | At December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **31,376** | 38,856 |
| Less: Allowance for credit losses | **(13,031)** | (1,200) |
| Trade receivables, net of allowance for credit losses | **18,345** | 37,656 |
| Interest receivables | **3,949** | 2,268 |
| Prepayments for: | | |
| Research and development services | **4,570** | 8,028 |
| Legal and professional services | **1,830** | 2,182 |
| Purchase of raw materials | **1,128** | 1,074 |
| | **7,528** | 11,284 |
| Other receivables | | |
| Refundable rental deposits | **1,419** | 1,419 |
| Others | **595** | 460 |
| Less: Allowance for credit losses | **(275)** | (275) |
| Others receivables, net of allowance for credit losses | **1,739** | 1,604 |
| | **31,561** | 52,812 |
| Analyzed as: | | |
| Non-current | **454** | 496 |
| Current | **31,107** | 52,316 |
| | **31,561** | 52,812 |

The Group normally grants a credit period of 30-90 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

# Management Discussion and Analysis

### *7. Trade and other payables*

| | At December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Trade payables | **83,143** | 91,841 |
| Accrued research and development expenses | **11,558** | 48,628 |
| Other payables: | | |
| Purchase of property, plant and equipment | **10,698** | 11,905 |
| Legal and professional fee | **2,149** | 1,095 |
| Others | **691** | 2,736 |
| Interest payables | **187** | 339 |
| Other tax payables | **1,418** | 2,127 |
| Accrued staff costs and benefits | **4,085** | 5,373 |
| | **113,929** | 164,044 |

The average credit period on purchases of goods and services of the Group is 30-90 days.

## OTHER COMPREHENSIVE INCOME

Our other comprehensive expense increased from RMB3.1 million for year ended December 31, 2023 to RMB4.0 million for year ended December 31, 2024.

# Management Discussion and Analysis

## NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss and total comprehensive expenses for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from year to year and company to company to the extent applicable.

Adjusted loss and total comprehensive expenses for the period represents the loss and total comprehensive expenses for the period excluding the effect of share-based compensation expenses. The table below sets forth a reconciliation of the loss and total comprehensive expenses to adjusted loss and total comprehensive expenses during the periods indicated:

| | Year ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Total comprehensive expenses for the year: | **(294,322)** | (465,670) |
| Add: | | |
| Share-based compensation expenses | **23,931** | 28,328 |
| Fair value (loss)/gain of financial liabilities at FVTPL | **–** | – |
| Sub-total | **23,931** | 28,328 |
| Adjusted loss and total comprehensive expenses for the year | **(270,391)** | (437,342) |

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as at December 31, 2024 by function:

| | Number of employees | % of total number of employees |
|---|---|---|
| Research and Development | 91 | 49.46% |
| General and Administrative | 44 | 23.91% |
| Manufacturing | 49 | 26.63% |
| **Total** | **184** | **100.00%** |

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on our needs. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational background, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

Our employee remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

The Company also has one expired share scheme with awards outstanding and one existing share scheme, namely the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme, respectively. Please refer to the section headed "Appendix IV Statutory and General Information – D. Share Schemes" in the prospectus of the Company dated September 14, 2021 (the "**Prospectus**") for further details of the Pre-IPO Equity Incentive Plan and the circular published by the Company on October 16, 2022 for further details of the Share Incentive Scheme.

During the Reporting Period, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

## LIQUIDITY AND FINANCIAL RESOURCES

On September 29, 2021, 40,330,000 ordinary shares of US$0.0001 par value each were issued at HK$16.00 per share for a total gross cash consideration of HK$645,280,000 (equivalent to RMB536,034,000).

As of December 31, 2024, bank balances and cash, pledged bank deposits and time deposits were RMB227.4 million, as compared to RMB596.3 million as of December 31, 2023. The decrease was mainly due to the operating cashflow out.

# Management Discussion and Analysis

## GEARING RATIO

The gearing ratio of the Group was calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. The gearing ratio is 0.76% as at December 31, 2024. Since the group maintained a net cash position as at December 31, 2023, the gearing ratio is not applicable.

## OTHER FINANCIAL INFORMATION

### *Significant Investments, Material Acquisitions and Disposals*

The Group did not make any significant investments (including any investment in an investee company with a value of five percent or more of the Group's total assets as at December 31, 2024) during the Reporting Period. The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the Reporting Period.

### *Foreign Exchange Risk*

The functional currency of the Company is Renminbi. During the Reporting Period, certain bank balances and cash, trade and other receivables, trade and other payables are denominated in U.S. dollars, which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### *Bank Loans and Other Borrowings*

As at 31 December 2024, borrowings amounting to RMB42,000,000 are secured by time/pledged bank deposits of RMB50,000,000.

As at 31 December 2023, borrowings amounting to RMB42,000,000 are secured by pledged bank deposits of RMB50,000,000.

We had an aggregate of RMB166,290,000 borrowings with fixed interest rates as at December 31, 2024.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

| | Year ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| US$ | – | – |

### *Contingent Liabilities*

As at December 31, 2024, the Group did not have any material contingent liabilities.

### *Funding and Treasury Policy*

The Group adopts a prudent funding and treasury policy, the management team and the Board monitor and evaluate the financial conditions and liquidity from time to time and on a regular basis, to ensure the Group's assets, liabilities and commitments can meet the funding requirements.

# Management Discussion and Analysis

## *Going concern issues and mitigation plans and measures taken*

The Group incurred a net loss of RMB290,292,000 and a net operating cash outflow of RMB213,828,000 for the year ended December 31, 2024, and as of that date, the Group has net current liabilities of approximately RMB63,013,000, which consists of bank balances and cash of approximately RMB169,423,000, trade and other receivables of approximately RMB31,107,000, short-term borrowings of approximately RMB217,090,000 and trade and other payables of approximately RMB113,929,000. In addition, the Group has capital commitment of approximately RMB6,217,000 as at December 31, 2024.

In light of the foregoing, the Group has taken certain plans and measures to address the Disclaimer of Opinion, details of which are set out in Note 3.1 to the Consolidated Financial Statements, and as follows:

***(i) exploring non-exclusive, royalty bearing proprietary technology platform out-licensing opportunities***

The Group has been actively pursuing out-licensing opportunities and has, in March 2025, signed a non-binding term sheet for the license and technology transfer of certain proprietary technologies and intellectual property to an independent third party licensor, with the view of entering into a definitive agreement. The management of the Company considers that the transactions contemplated thereunder, once consummated, will bring in license fee plus royalty (payable upfront upon execution and thereafter at milestones). For details, please refer to the paragraphs headed "CDMO Out-licensing" in the Management Discussion and Analysis of this annual report.

***(ii) talking with various third parties to further its global development and commercialization of a major pipeline, with "licensing out" and/or "co-development" plans***

The Company has received a term sheet for its main pipeline asset and is in the process of finalizing agreement with an investment firm in support of its fundraising effort for the asset, with a view to closing such transaction.

***(iii) pursuing the fund raising to support further development of other pipelines***

To which end, the Company has been in talks with various parties negotiating terms of collaboration and working towards closing such transactions.

***(iv) engaging in discussion and negotiations with various parties for capital fundings***

The Group has engaged in discussion and negotiations with various parties to explore various opportunities for capital fundings within the year, including but not limited to PIPE or the issuance of convertible bonds.

***(v) prospecting and engaging new contract development and manufacturing services customers for its services***

The Group has, by the date of this annual report, managed to engage three new customers for such services.

***(vi) exploring global partnership in perfusion and fed batch culture media supply, as well as other co-development and licensing opportunities***

The Group expects to identify another potential partner which it looks to enter into term sheet with, in contemplation of a definitive agreement thereafter.

***(vii) negotiating with various banks to secure new banking facility, in addition to renewal and extension of existing bank borrowings beyond December 31, 2024***

The Group has already managed to secure bank facilities beyond December 31, 2024 and up to the date of this annual report.

***(viii) negotiating with the suppliers to extend the repayment dates of the overdue payables***

The Group has been in active talks with its suppliers, and has by the date of this annual report, managed to achieve extension with two major suppliers.

***(ix) implementing initiatives to align its resources more effectively and efficiently with the Group's strategic objectives to continue advancing its core products, including but not limited to, the evaluation of existing projects to prioritize essential investments in research and development and optimize the task force***

On-going attempts are being made by the Group to optimize resource allocation and utilization towards enhancing overall efficiency and performance.

As at the date of this annual report, the aforementioned plans and actions, save as otherwise disclosed above, have yet to be fully realized, completed or concluded. As such plans and measures involve on-going negotiations and communications with various external parties, the precise timing for attainment of the above goals cannot be ascertained with accuracy, yet the Group will strive towards attaining the same during the financial year ending December 31, 2025.

### *Disclaimer of Opinion*

The independent auditor of the Company, Deloitte Touche Tohmatsu, has issued a disclaimer of opinion ("**Disclaimer of Opinion**") in relation to the Consolidated Financial Statements, details of which are set out in the sections headed "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" respectively in the Independent Auditor's Report.

### *Potential impact of the Disclaimer of Opinion on the Group's financial position*

Should the Group be unable to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets including goodwill, property, plant and equipment, intangible assets not yet ready for use and right-of-use assets to their recoverable amounts, to reclassify non-current assets as current assets, to reclassify non-current liabilities as current liabilities, or to recognize any further liabilities which might arise, where appropriate. The effects of these adjustments have not been reflected in the Consolidated Financial Statements.

## DIRECTORS' VIEWS ON THE DISCLAIMER OF OPINION

The Directors of the Company have given careful consideration to the future liquidity and the financial position of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The Directors of the Company have reviewed the Group's cashflow projection prepared by management, which cover a period of not less than twelve months from December 31, 2024. They are of the opinion that, taking into account the aforementioned plans and measures taken to mitigate the Group's liquidity pressure and improve its financial position, the liquidity needs of the Group will be managed and the financial position of the Group will be improved. As such, the Group will have sufficient financial resources to finance its operations and meet its financial obligations when they fall due within twelve months from the date of approval of the Consolidated Financial Statements. Accordingly, the Directors have, at the time of approving the Consolidated Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Save for the matters disclosed in this annual report and the Consolidated Financial Statements, the Directors are not aware of any other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, and thus it is appropriate for the Consolidated Financial Statements to be prepared on a going concern basis.

# Management Discussion and Analysis

## AUDIT COMMITTEE'S VIEW ON THE DECLAIMER OF OPINION

The Audit Committee has reviewed the facts and circumstances leading to the Disclaimer of Opinion, discussed with the Auditor and the management of the Company on matters and the basis for the Disclaimer of Opinion, and taken into account the Directors' views thereto and the plans and measures undertaken (and continue to focus on) by the Group to support the going concern assumptions used in preparation of the Consolidated Financial Statements, as set out above. After careful analysis and prudent assessment of the aforementioned plans and measures (if effectively implemented) in mitigating the liquidity burden, optimizing the Group's operations and improving its financial position, the Audit Committee concurs with the Directors' assessment and the basis for forming such a view with respect to adopting going concern assumptions in the preparation of the Consolidated Financial Statements.

## ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Friday, June 6 2025. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

# Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2024.

## DIRECTORS

The Directors who held office during the Reporting Period and up to the Date of this report are:

### *Executive Directors:*

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer and Chairman of the Board) (Appointed as Chairman of the Board with effect from June 7, 2024)*

Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer) (Resigned as Executive Director with effect from April 30, 2024) (Resigned as Chief Financial Officer with effect from February 28, 2025, Mr. Weiwei Liang appointed as Acting Chief Financial Officer with effect from March 1, 2025)*

### *Non-Executive Directors:*

Dr. Yining Zhao (趙奕寧) *(Chairman of the Board) (Resigned with effect from June 7, 2024)*

Dr. Li Xu (徐莉) *(Appointed with effect from August 28, 2024)*

### *Independent Non-Executive Directors:*

Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 71 to 75 of this annual report.

## GENERAL INFORMATION

The Company was incorporated in the British Virgin Island on August 20, 2010, and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021. The shares of the Company were listed on the Main Board of the Stock Exchange on September 29, 2021.

## PRINCIPAL ACTIVITIES

We are a clinical stage biopharmaceutical company that integrates the capacities of discovery, research, development, manufacturing and business development. Our management team and the key operations, including clinical development, regulatory access and business development are based both in China and the United States, whereas our discovery, research and development, process development and manufacturing teams are based in China.

Analysis of the principal activities of the Group during the Reporting Period is set out in note 12 to the consolidated financial statements.

# Report of Directors

## RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 102 of this annual report.

## BUSINESS REVIEW

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the financial year, an indication of likely future development in the Group's business and an analysis of the Group's financial performance, is set out in the "Business review" and "Management Discussion and Analysis" on pages 12 to 38 of this annual report. All the review, discussions and analysis mentioned above form part of this report of Directors.

An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is set out in the "Environmental, Social and Governance Report", which will be published at the same time as the publication of this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 of the Listing Rules applicable to the financial year ended December 31, 2024, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

Our business involves certain risks as set out in the section headed "Risk factors" in the Prospectus. The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- its ability to successfully identify new drug candidates, complete clinical development, obtain regulatory approval and commercialize its drug candidates;
- all material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated;
- time-consuming and evolving regulatory approval processes of the NMPA, FDA, EMA or other comparable regulatory authorities for its drug candidates;
- the market size of its drug candidates and its ability to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success;
- intense competition and rapid technological change;
- securing the sourcing of key components required for commercial manufacturing and meeting the quality standard of major regulatory agencies;

# Report of Directors

- clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;
- its relationship with third parties that conduct its pre-clinical studies and clinical trials and the ability of these third parties to successfully carry out their contractual duties or meet expected deadlines;
- its ability to obtain sufficient funding or generate sufficient revenue to continue the development of all programs; and
- its ability to obtain and maintain patent and other intellectual property protection for its drug candidates.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, business partners are key to the Group success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

### *Major Customers*

During the Reporting Period, the Group derived its revenues from (i) provision of CDMO services; and (ii) research and development services. For the Reporting Period, revenue generated from the five largest customers in the aggregate accounted for approximately 73.32% (2023: 85.1%) of the Group's total revenue and revenue generated from the Group's largest customer for the Reporting Period accounted for approximately 24.95% (2023: 38.8%) of the Group's total revenue amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued shares (excluding treasury shares), has any interest in any of the Group's five largest customers.

### *Major Suppliers*

We procure raw materials and equipment for the development and manufacturing of our drug candidates from industry-leading, highly reputable manufacturers and suppliers around the world. We also procure properties and construction related services for the construction of our manufacturing facilities. In addition, we use contract research organizations, or CROs, and consultants to manage, conduct and support our clinical trials and pre-clinical studies in China and the United States.

For the Reporting Period, purchases from the Group's five largest suppliers in the aggregate accounted for approximately 25.10% (2023: 37.8%) of the Group's total purchases in the same year. Purchases from the Group's largest supplier for the Reporting Period accounted for approximately 12.96% (2023: 14.1%) of the Group's total purchases for the same year.

# Report of Directors

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued shares (excluding treasury shares), has any interest in any of the Group's five largest suppliers.

During the Reporting Period, the Group did not experience any significant disputes with its customers or suppliers.

## FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on page 179 of this annual report. This summary does not form part of the audited consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period are set out in note 30 to the consolidated financial statements.

## DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Equity Plans" in this annual report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

# Report of Directors

## DIVIDEND

The Board does not recommend the distribution of a final dividend for the Reporting Period. No dividend was paid or declared by the Company or other members of the Group during the Reporting Period.

## PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

## DISTRIBUTABLE RESERVES

As at December 31, 2024, Company's distributable reserves were RMB1,051.81 million.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 105 and in note 39 to the consolidated financial statements, respectively.

## BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2024 are set out in the section headed "Management Discussion and Analysis" in this annual report and note 26 to the consolidated financial statements.

## DIRECTORS' SERVICE CONTRACTS

Dr. Xueming Qian has entered into an executive employment agreement with the Company for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the agreement.

# Report of Directors

Ms. Li Xu has entered into a service agreement with the Company for the appointment as a non-executive director for an initial term of three years commencing on August 28, 2024 and (subject to re-election as and when required under the Articles of Association) be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party terminating the agreement by giving not less than three months' written notice.

Each of the independent non-executive Directors (other than Dr. Kumar Srinivasan and Ms. Helen Wei Chen) has signed an appointment letter with the Company for an initial term of three years from the Listing Date and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

Dr. Kumar Srinivasan has signed an appointment letter with the Company for an initial term of three years from December 19, 2022 and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

Ms. Helen Wei Chen has signed an appointment letter with the Company for an initial term of three years from August 23, 2023 and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 32 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2024.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

The Company has no Controlling Shareholders during the Reporting Period.

## MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

# Report of Directors

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2024, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix C3 to the Listing Rules were as follows:

| Name of Director | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[1] | Long position/ Short position |
|---|---|---|---|---|
| Dr. Xueming Qian | Beneficial owner[2], Founder and beneficiary of discretionary trust, Interest in controlled corporation[3] | 37,425,000 | 8.58% | Long position |
| Mr. Jiasong Tang | Beneficial owner[4] | 30,000 | 0.01% | Long position |
| Mr. Zhihua Zhang | Beneficial owner[5] | 30,000 | 0.01% | Long position |
| Dr. Kumar Srinivasan | Beneficial owner[6] | 30,000 | 0.01% | Long position |
| Ms. Helen Wei Chen | Beneficial owner[7] | 30,000 | 0.01% | Long position |
| Dr. Li Xu | Beneficial owner[8] | 4,431,501 | 1.02% | Long position |

Notes:

1. The calculation is based on the total number of 436,432,445 Shares in issue as at December 31, 2024.

2. Includes 5,628,470 Shares Dr. Qian holds in his name, 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link, and Dr. Qian's entitlement to receive up to 4,041,024 and 4,277,188 Shares pursuant to the share options and share awards granted to him, respectively.

3. Includes 23,242,154 Shares held by Qian Dynasty Irrevocable Trust. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association.

4. Represents Mr. Jiasong Tang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

# Report of Directors

5. Represents Mr. Zhihua Zhang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

6. Represents Dr. Srinivasan Kumar's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

7. Represents Ms. Helen Wei Chen's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to her.

8. Includes 719,865 Shares Dr. Xu holds in her name, and Dr. Xu's entitlement to receive up to 3,091,976 and 619,660 Shares pursuant to the share options and share awards granted to her, respectively. Dr. Xu was appointed as a non-executive Director with effect from August 28, 2024.

Save as disclosed above, as at December 31, 2024, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2024, so far as the Directors or chief executives are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[1] | Long position/ Short position/ Lending pool |
|---|---|---|---|---|
| Dr. Xueming Qian [2] ("Dr. Qian") | Beneficial owner; founder and beneficiary of discretionary trust; interest in controlled corporation | 37,425,000 | 8.58% | Long position |
| HSBC Trust Company (Delaware) National Association [2] | Trustee of discretionary trust | 45,653,530 | 10.46% | Long position |
| Yi Shi [3] | Interest in controlled corporation | 70,536,703 | 16.16% | Long position |
| LAV Asset Management (Hong Kong) Limited[3] | Investment manager | 70,536,703 | 16.16% | Long position |
| LAV Corporate GP, Ltd. [3] | Interest in controlled corporation | 50,566,136 | 11.59% | Long position |
| LAV GP III, L.P. [3] | Interest in controlled corporation | 50,566,136 | 11.59% | Long position |
| LAV Biosciences Fund III, L.P. [3] | Beneficial owner; interest in controlled corporation | 33,710,963 | 7.72% | Long position |
| LAV Vitality Limited [3] | Beneficial owner | 22,388,232 | 5.13% | Long position |
| Temasek Holdings (Private) Limited [4] | Interest in controlled corporation | 28,086,380 | 6.44% | Long position |
| Fullerton Management Pte Ltd [4] | Interest in controlled corporation | 26,021,880 | 5.96% | Long position |
| Temasek Life Sciences Private Limited [4] | Interest in controlled corporation | 26,021,880 | 5.96% | Long position |

# Report of Directors

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[1] | Long position/ Short position/ Lending pool |
|---|---|---|---|---|
| TLS Beta Pte. Ltd. [4] | Beneficial owner | 26,021,880 | 5.96% | Long position |
| China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) [5] | Beneficial owner; interest in controlled corporation | 39,421,012 | 9.03% | Long position |
| Xiaohong Shi [6] | Beneficial owner | 22,411,376 | 5.14% | Long position |

Notes:

1. The calculation is based on the total number of 436,432,445 Shares in issue as at December 31, 2024.

2. Dr. Xueming Qian (the "**Dr. Qian**") is an executive Director and chief executive officer of our Company.

   This includes 5,628,470 Shares Dr. Qian holds in his name, 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link, 23,242,154 Shares held by Qian Dynasty Irrevocable Trust; and Dr. Qian's entitlement to receive up to (i) 4,041,024 Shares pursuant to the share options granted to him under the Share Incentive Scheme; (ii) 4,277,188 Shares pursuant to the share awards granted to him under the Share Incentive Scheme. With regards to the Success Voyager Trust, the beneficiaries are Dr. Qian's children, the trustee is Trident Trust Company (South Dakota) Inc. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Xueming Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association.

3. LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are Cayman Islands exempted partnership funds. The general partner of LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. Both LAV Vitality Limited (beneficial owner of 22,388,232 Shares) and LAV Altitude Limited (beneficial owner of 10,276,020 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P. LAV Biosciences Fund III, L.P. also holds 1,046,711 Shares in its own name. Both LAV Verdure Limited (beneficial owner of 11,194,116 Shares) and LAV Acuity Limited (beneficial owner of 5,138,010 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Lilly Asia Ventures Fund III, L.P. also holds 523,047 Shares in its own name.

# Report of Directors

LAV Biosciences Fund V, L.P. is a Cayman Islands exempted partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. LAV Biosciences Fund V, L.P. holds 16,667,067 Shares in its own name and wholly-owns LAV Amber Limited, which is the beneficial owner of 3,303,500 Shares.

Therefore, Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund III, L.P., LAV Vitality Limited, LAV Altitude Limited, Lilly Asia Ventures Fund III, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Biosciences Fund V, L.P. and LAV Amber Limited.

4. TLS Beta Pte. Ltd. is a company incorporated in Singapore, which is a direct wholly-owned subsidiary of Temasek Life Sciences Private Limited. Temasek Life Sciences Private Limited is a direct wholly-owned subsidiary of Fullerton Management Pte Ltd, which in turn is a direct wholly-owned subsidiary of Temasek Holdings (Private) Limited. Aranda Investments Pte. Ltd. (beneficial owner of 2,064,500 Shares) is a company incorporated in Singapore and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited.

5. China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) is a company incorporated in the PRC and (i) wholly-owns EverestLu Holding Limited (永祿控股有限公司), which is a limited company incorporated in Hong Kong and the beneficial owner of 16,076,988 Shares, and (ii) is interested in approximately 75.8% of China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in its capacity as a limited partner, which is the beneficial owner of 10,954,024 Shares.

6. Ms. Xiaohong Shi became the named Investment Adviser of the Shi Dynasty Irrevocable Trust and has control of the voting rights attached to the relevant Shares with effect from September 1, 2023. The trustee is HSBC Trust Company (Delaware) National Association.

Save as disclosed above, as at December 31, 2024, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" above had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

## EQUITY PLANS

The Company has one terminated share scheme (terminated on May 31, 2023) with awards outstanding and one existing share scheme, namely the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme, respectively. Please refer to the section headed "Appendix IV Statutory and General Information – D. Share Schemes" in the Prospectus for further details on the principal terms of the Pre-IPO Equity Incentive Plan and the circular published by the Company on October 16, 2022 for further details on the principal terms of the Share Incentive Scheme.

3,099,570 new Shares, representing approximately 0.77% of the weighted average of issued shares (excluding treasury shares) of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme, of which 2,199,570 underlying new Shares have already been issued as at December 31, 2024.

Further details and relevant breakdowns of each of the equity plans are set out below:

## 1. *Pre-IPO Equity Incentive Plan*

The Pre-IPO Equity Incentive Plan of the Company was effective since January 1, 2019 and, as disclosed in the circular of the Company dated May 16, 2023, the Pre-IPO Equity Incentive Plan was terminated on May 31, 2023 and the Company shall not make any further grants under the Pre-IPO Equity Incentive Plan thereafter (the "**Termination of the Pre-IPO Equity Incentive Plan**"). The termination of the Pre-IPO Equity Incentive Plan shall not affect the validity of the outstanding share options and restricted share units granted under the Pre-IPO Equity Incentive Plan, which shall continue to vest, be valid and exercisable in accordance with the terms of the Pre-IPO Equity Incentive Plan.

### *Purpose*

The Pre-IPO Equity Incentive Plan is intended to grant options to, and to incentivize, employees of the Company other than the management.

### *Eligible participants*

Those eligible to participate in the Pre-IPO Equity Incentive Plan include employees, directors and consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "**Committee**"). The Board or the Committee may, from time to time select from among all eligible individuals ("**Participants**") to whom awards ("**Pre-IPO Awards**") in the form of options ("**Pre-IPO Options**") and restricted share units ("**RSUs**"), will be granted ("**Grantee(s)**") and will determine the nature and amount of each grant.

### *Share Limit*

The maximum number of Shares in respect of which Pre-IPO Awards may be granted under the Pre-IPO Equity Incentive Plan shall not exceed 69,325,254 Shares in aggregate (representing 15.88% of the issued shares of our Company as at the date of this report), subject to any adjustments in the event of any alteration in the capital structure of the Company. However, notwithstanding the forgoing, no further Awards has been granted under the Pre-IPO Equity Incentive Plan after May 31, 2023 after the Termination of Pre-IPO Equity Incentive Plan.

Since the Termination of Pre-IPO Equity Incentive Plan on May 31, 2023, no Pre-IPO Options or RSUs has been available for grant under the Pre-IPO Equity Incentive Plan at the beginning and the end of the Reporting Period (i.e. as at January 1, 2024 and as at December 31, 2024). During the Reporting Period, 545,273 Pre-IPO Options and 40,000 RSUs had lapsed in accordance with the rules of the Pre-IPO Equity Incentive Plan.

### *Maximum number of new Shares available for issue*

As at January 1, 2024, 21,006,473 new Shares were available for issue for the vesting and/or exercise of the Pre-IPO Awards under the Pre-IPO Equity Incentive Plan. During the Reporting Period, 2,000 new Shares were issued pursuant to the Pre-IPO Equity Incentive Plan. It follows that, as at December 31, 2024 and the date of this report, 21,004,473 new Shares and 20,974,973 new Shares (representing approximately 4.83% of the issued shares (excluding the treasury shares) of the Company as at the date of this report) were available for issue under the Pre-IPO Equity Incentive Plan, respectively.

# Report of Directors

***Maximum entitlement of each participant***

There is no maximum entitlement of each participant.

***Offer and Grant of Pre-IPO Awards***

The Board shall be entitled to make an offer to any Participant as the Board may in its absolute discretion select to take up Pre-IPO Options in respect of such number of Shares and at any price per Share ("**Strike Price**") as the Board may determine. The details of the offer shall be set out in a letter, the form of which shall be approved by the Board and entered into by and among the Company and a Grantee regarding the offer of a Pre-IPO Award ("**Offer Letter**").

Pre-IPO Awards may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO Equity Incentive Plan.

***Vesting Period***

The vesting criteria and conditions, and the vesting date are specified in the Offer Letter. Details of the vesting period of individual grants are stated in the table below.

***Exercise Period***

The exercise period of the Pre-IPO Options shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

***Consideration***

A Grantee is not required to pay for the grant of any Pre-IPO Option. The consideration to be paid (if any) for each Share subject to an RSU is determined by the Board and shall be set forth in the Offer Letter for such RSUs and may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion and permissible under applicable law. RSUs may be awarded for zero consideration if permitted under applicable law.

***Price***

The Strike Price and vesting of Pre-IPO Options and RSUs shall be approved by the Board and shall be set out in the Offer Letter.

***Term of the Pre-IPO Equity Incentive Plan***

After the termination of the Pre-IPO Equity Incentive Plan on May 31, 2023, no further Pre-IPO Awards will be granted but any Pre-IPO Award that is outstanding shall remain in force according to the terms of the Pre-IPO Equity Incentive Plan and the Pre-IPO Awards shall be exercised or settled in accordance with the terms upon which the Pre-IPO Awards are granted.

Further details of the Pre-IPO Equity Incentive Plan are set out in the section headed "Statutory and General Information – D. Share Schemes – 1. Pre-IPO Equity Incentive Plan" of the Prospectus.

# Report of Directors

***Outstanding Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan***

As the Pre-IPO Equity Incentive Plan shall automatically terminate in relation to Pre-IPO Options (but not RSUs) upon Listing, no further Pre-IPO Options has been granted under the Pre-IPO ESOP after the Listing Date. Details of the movements of the Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan as at December 31, 2024 are as follows.

| Name | Date of grant | Vesting period[1] | Exercise price (per Share) | Outstanding as at January 1, 2024[2] | Exercised during the Reporting Period | Weighted average closing price of Shares immediately before the date of exercise | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Outstanding as at December 31, 2024[2][3] |
|---|---|---|---|---|---|---|---|---|---|
| ***Directors*** | | | | | | | | | |
| Dr. Li Xu[4] | July 3, 2019 | 2,400,000 Options: vested over 4 years; and 1,600,000 Options: based on performance targets | US$0.34 | 2,200,000 | – | – | – | – | 2,200,000 |
| ***Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)*** | | | | | | | | | |
| 204 Employee Participants in aggregate | Between September 28, 2016 to June 13, 2021 | 29,385,038 Options will vest over 2 to 4 years. | Between US$0.001 to US$1.5 | 8,896,533 | 2,000[5] | HK$3.59 | 545,273 | – | 8,349,260 |
| 7 service providers in aggregate[6] | Between September 28, 2016 to November 16, 2020 | 1,596,925 Options will vest 4 to 5 years | Between US$0.0879 to US$0.4688 | 680,000 | – | – | – | – | 680,000 |
| **Total** | | | | **11,776,533** | **2,000** | **–** | **545,273** | **–** | **11,229,260** |

Notes:

1. The exercise period of the Pre-IPO Options shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.
2. The outstanding calculations exclude Pre-IPO Options where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.
3. A portion of the options granted are vested based on milestones achievement stated in the Offer Letter or Grant Letter.
4. Dr. Li Xu was appointed as a non-executive Director with effect from August 28, 2024.
5. The exercise price of the Pre-IPO Options exercised during the Reporting Period is US$0.1000 per Share.
6. The service providers are consultants of the Company who are not employees or former employees of the Group.

# Report of Directors

### *Outstanding RSUs granted under the Pre-IPO Equity Incentive Plan*

Details of the movements of the RSUs granted under the Pre-IPO Equity Incentive Plan as at December 31, 2024 are as follows:

| Name | Date of grant | Vesting period | Purchase price (per Share) | Performance target[1] | Closing price of Shares immediately before the date of grant | Fair value of RSUs on the date of grant[2] | Unvested RSUs as at January 1, 2024[3] | Granted during the Reporting Period | Vested during the Reporting Period | Weighted average closing price of Shares immediately before the vesting date | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Unvested RSUs as at December 31, 2024[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Directors* | | | | | | | | | | | | | |
| Mr. Xiaolu Weng[4] | December 19, 2022 | 3,400,000 RSUs will vest from the date of the grant to December 17, 2025; 1,000,000 RSUs based on performance targets | US$0.001 | based on Clinical Development Progress | HK$3.07 | US$0.3009 | 2,700,000 | – | 850,000 | HK$0.61 | – | – | 1,850,000 |
| *Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)* | | | | | | | | | | | | | |
| 17 Employee Participants in aggregate | Between July 3, 2019 to August 30, 2022 | 2,370,000 RSUs: vested over 3 to 4 years; 300,000 RSUs based on performance targets | US$0.000-0.100 | based on Clinical Development Progress | HK$2.96 | US$0.3478-0.9137[6] | 887,500 | – | 217,500[5] | HK$1.76 | 40,000 | – | 630,000 |
| **Total** | | | | | **–** | | **3,587,500** | **–** | **1,067,500** | **–** | **40,000** | **–** | **2,480,000** |

Notes:

1. All performance targets are set out in the respective Offer Letters.

2. The fair value of RSUs are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binomial tree price model. The assumptions include risk free rate and expected volatility.

3. The unvested calculations exclude RSUs where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.

4. Mr. Xiaolu Weng resigned as an executive Director with effect from April 30, 2024, and resigned as Chief Financial Officer with effective from February 28, 2025.

5. The purchase price of the RSUs vested during the Reporting Period is between US$0.00 per Share to US$0.001 per Share.

6. Fair value of the RSUs have been adjusted from the disclosure in the last published interim report due to changes in certain valuation parameters.

For further details of the RSUs granted under the Pre-IPO Equity Incentive Scheme during the Reporting Period, please refer to the announcements and circular published by the Company on December 20, 2022, January 26, 2023, February 16, 2023 and March 9, 2023.

## *2. Share Incentive Scheme*

The Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders passed on June 18, 2021 and was amended and renamed as the Share Incentive Scheme upon approval by the Shareholders at the extraordinary general meeting held on on November 4, 2022 (the "**Scheme Amendment**"). Unless otherwise specified, capitalized terms used herein shall have the same meanings as those contained in the circular dated October 16, 2022.

### *Purpose*

The purposes of the Share Incentive Scheme are:

(a) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and

(b) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

### *Eligible participants*

Any individual, being an Employee (whether full-time or part-time employee), director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any Affiliate (including nominees and/or trustees of any employee benefit trust established for them) (an "**Eligible Person**" and, collectively "**Eligible Persons**"), or Service Provider, who the Scheme Administrator considers, in their sole discretion, to have contributed or will contribute to the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award or Option pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of Scheme Administrator, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Person.

# Report of Directors

The Board and the Scheme Administrator may, from time to time, select any Eligible Person to be a Selected Participant and grant an award (which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash) ("**Award(s)**") or option ("**Option(s)**") to such Selected Participant during the effective period of the Share Incentive Scheme.

***Maximum number of Awards (either to be satisfied by new Shares or existing Shares) and Options available for grant***

The aggregate number of Shares underlying all grants made or to be made pursuant to the Share Incentive Scheme would not exceed 44,551,933 Shares without Shareholders' approval (the "**Share Incentive Scheme Limit**"). In addition, the maximum number of Shares that may be issued upon exercise of all Award Shares and Options to be granted to Service Providers under the Share Incentive Scheme (excluding Award Shares or Options that have been forfeited in accordance with the Share Incentive Scheme) and any other share schemes was 8,910,386 (the "**Service Provider Sublimit**").

As at January 1, 2024, 5,067,443 Awards or Options were available for future grant under the Share Incentive Scheme Limit and 5,067,443 Awards or Options were available for future grant under the Service provider sublimit (Service provider Sublimit being subject to the Share Incentive Scheme Limit). During the Reporting Period, 5,119,270 Awards and Nil Options were granted to eligible participants pursuant to the Share Incentive Scheme, and 999,286 Awards and 1,478,215 Options had lapsed in accordance with the rules of the Share Incentive Scheme (of which 41,890 lapsed Awards were granted before the Scheme Amendment). It follows that, as at December 31, 2024, 2,383,784 Awards or Options were available for future grant under the Share Incentive Scheme Limit and 2,383,784 Awards or Options were available for future grant under the Service Provider Sublimit.

***Maximum number of new Shares available for issue***

The total number of new Shares issued and may be issued pursuant to the Share Incentive Scheme would not exceed 44,551,933 Shares, representing 10% of the Company's issued shares on the date of the extraordinary general meeting at which the Share Incentive Scheme was approved (the "**Share Incentive Scheme Mandate**"). In addition, the maximum number of Shares that may be issued upon exercise of all Award Shares and Options to be granted to Service Providers under the Share Incentive Scheme (excluding Award Shares or Options that have been forfeited in accordance with the Share Incentive Scheme) and any other share schemes was 8,910,386 (the "**Service Provider Sublimit**").

# Report of Directors

As at January 1, 2024, 22,442,003 new Shares were available for issue under the Share Incentive Scheme Mandate. During the Reporting Period, 3,369,570 new Shares were issued pursuant to the Share Incentive Scheme. It follows that, as at December 31, 2024 and the date of this report, 19,072,433 new Shares and 19,072,433 new Shares (representing approximately 4.40% of the issued shares (excluding treasury shares) of the Company as at the date of this report) were available for issue under the Share Incentive Scheme Mandate, respectively.

***Maximum entitlement of each participant***

Under the Share Incentive Scheme, there is no specific limit on the maximum number of shares which may be granted to a single eligible participant. However, any grant of Options or Awards to an eligible participant shall be subject to 1% or 0.1% individual limit (as the case may be) as provided in the Listing Rules and be subject to Shareholders' approval in a general meeting.

***Granting of Awards***

The Board may, from time to time, grant Awards to a selected participant by way of an award letter. The award letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

***Option period***

An Option may be exercised, which is to be determined and notified by the Scheme Administrator to each grantee at the time of making an Offer, and shall not expire later than ten years from the date of grant.

***Vesting Period***

The vesting criteria and conditions, and the vesting date as determined by the Board or its delegate will be specified in the option letter and award letter, provided however that the vesting period for Options and Awards shall not be less than 12 months, except that any Options or Awards granted to an employee may be subject to a shorter vesting period, including where:

(a) grants of "make whole" Awards or Options to new employees to replace awards or options such Employees forfeited when leaving their previous employers;

(b) grants to an Employee whose employment is terminated due to death or disability or event of force majeure;

# Report of Directors

(c) grants of Awards or Options which are subject to the fulfilment of performance targets as determined in the conditions of his/her grant;

(d) grants of Awards or Options the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant Employee, in which case the Vesting Date may be adjusted to take account of the time from which the Award or Options would have been granted if not for such administrative or compliance requirements;

(e) grants of Awards or Options with a mixed vesting schedule such that the Awards or Options vest evenly over a period of 12 months; or

(f) grants of Awards or Options with a total vesting and holding period of more than 12 months.

***Consideration and purchase price***

The amounts payable on application or acceptance of the Options or Awards, if any, and the period within which such payments or calls must or may be made or loans for such purposes must be repaid will be set out in the individual Award Letters or Options Letters and will be determined on an individual basis for each Selected Participant by the Scheme Administrator, taking into account the purpose of the Scheme, the interests of the Company and the individual circumstances of each Selected Participant. The Company will generally not provide any loans for such amounts payable unless exceptional circumstances justify the provision of such loans.

***Exercise price***

The Exercise Price shall be such price determined by the Scheme Administrator in their absolute discretion and notified to the Eligible Person in the Offer and shall be no less than the higher of (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

***Term of the Share Incentive Scheme***

The Share Incentive Scheme is valid and effective for a period of 10 years commencing from the Listing Date and expiring on September 28, 2031 (after which no further Awards or Options will be granted), and thereafter for so long as there are any non-vested Award Shares or Options granted hereunder prior to the expiration of the Scheme. The remaining life of the Share Incentive Scheme is approximately 6 years.

Further details of the Share Incentive Scheme are set out in the circular published by the Company on October 16, 2022.

# Report of Directors

***Outstanding Options granted under the Share Incentive Scheme***

Details of the movements of the Options granted under the Share Incentive Scheme as at December 31, 2024 are as follows:

| Name | Date of grant | Vesting period[1] | Exercise price | Performance targets[2] | Closing price of Shares immediately before the date of grant | Fair value of the Options on the date of grant[3] | Outstanding as at January 1, 2024 | Granted during the Reporting Period | Exercised during the Reporting Period | Weighted average closing price of Shares immediately before the date of exercise | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Directors, chief executive or substantial shareholder* | | | | | | | | | | | | | |
| Dr. Xueming Qian | December 19, 2022 | 400,000 Options: based on performance targets | HK$3.23 | Upon the achievement of performance targets relating to market capitalization and various project milestone achievement on clinical development | HK$3.07 | US$0.1552 | 400,000 | - | - | - | - | - | 400,000 |
| | January 26, 2023 | 2,971,727 Options will vest over 3 years; and 669,297 Options: based on performance targets | HK$3.02 | Upon milestone achievements of clinical development | HK$3.02 | US$0.1622~ 0.1814 | 3,641,024 | - | - | - | - | - | 3,641,024 |
| Dr. Li Xu[4] | December 19, 2022 | 891,976 Options: based on performance targets | HK$3.23 | Upon milestone achievements of clinical development | HK$3.07 | US$0.1552~ 0.1944 | 891,976 | - | - | - | - | - | 891,976 |

# Report of Directors

| Name | Date of grant | Vesting period[1] | Exercise price | Performance targets[2] | Closing price of Shares immediately before the date of grant | Fair value of the Options on the date of grant[3] | Outstanding as at January 1, 2024 | Granted during the Reporting Period | Exercised during the Reporting Period | Weighted average closing price of Shares immediately before the date of exercise | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dr. Yining Zhao[5] | December 19, 2022 | 4,000,000 Options: based on performance targets | HK$3.23 | Upon the achievement of performance targets relating to various project milestone achievement on clinical development | HK$3.07 | US$0.1604 | 4,000,000 | - | - | - | - | - | 4,000,000 |
| | January 26, 2023 | 3,062,212 Options will vest over 3 years; and 1,790,969 Options: based on performance targets | HK$3.02 | Upon milestone achievements of clinical development. | HK$3.02 | US$0.1259~ 0.1555 | 4,853,181 | - | - | - | 906,548 | - | 3,946,633 |
| *Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)* | | | | | | | | | | | | | |
| 20 Employee Participants in aggregate | December 19, 2022 | 2,854,940 Options will vest over 1~4 years; 3,558,264 Options: based on performance targets. | HK$3.23 | Upon the achievement of performance targets including various project milestone achievements on clinical development, CMC, and partnership | HK$3.07 | US$0.1552~ 0.2375 | 5,839,364 | - | - | - | 571,667 | - | 5,267,697 |

# Report of Directors

| Name | Date of grant | Vesting period[1] | Exercise price | Performance targets[2] | Closing price of Shares immediately before the date of grant | Fair value of the Options on the date of grant[3] | Outstanding as at January 1, 2024 | Granted during the Reporting Period | Exercised during the Reporting Period | Weighted average closing price of Shares immediately before the date of exercise | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Outstanding as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2 Employee Participants in aggregate | March 31, 2023 | 50,000 Options will vest over 4 years; 100,000 Options: based on performance targets | HK$2.56 | Upon target achievements on success of business development and Company coverage. | HK$2.56 | US$0.1428~ 0.1781 | 150,000 | - | - | - | - | - | 150,000 |
| **Total** | | | | | | | **19,775,545** | - | - | - | **1,478,215** | - | **18,297,330** |

Notes:

1. The exercise period of the Options shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the relevant grant letter.
2. All performance targets are set out in grant letters or offer letters.
3. The fair value of Options are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binomial tree price model. The assumptions include risk free rate and expected volatility.
4. Dr. Li Xu was appointed as a non-executive Director with effect from August 28, 2024.
5. Dr. Yining Zhao resigned as chairman of the Board and non-executive Director with effect from June 7, 2024.

For further details of the Options granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements published by the Company on January 26, 2024, March 25, 2024 and August 30, 2024 and the circular published by the Company on March 5, 2024.

# Report of Directors

***Outstanding Awards granted under the Share Incentive Scheme***

Details of the movements of the Awards granted under the Share Incentive Scheme as at December 31, 2024 are as follows:

| Name | Date of grant | Vesting period[1] | Purchase price (per Share) | Performance target[2] | Closing price of Shares immediately before the date of grant | Fair value of Awards on the date of grant[3] | Unvested Awards as at January 1, 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Weighted average closing price of Shares immediately before the vesting date | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Unvested Awards as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Directors, chief executive or substantial shareholder* | | | | | | | | | | | | | |
| Dr. Xueming Qian | January 26, 2023 | 4,277,188 RSUs: based on performance targets. | US$0.001 | Upon target achievements on Company's valuation or market capitalization. | HK$3.02 | US$0.3002 | 4,277,188 | – | – | – | – | – | 4,277,188 |
| Dr. Li Xu[4] | April 15, 2022 | 24,060 Awards will vest over 3 years. | Nil | – | HK$7.15 | US$0.9117 | 8,020 | – | 8,020 | HK$0.63 | – | – | – |
| | December 27, 2023 | 150,000 Awards will vest over 1.5 years.[5] | Nil | – | HK$2.61 | US$0.3670 | 150,000 | – | – | – | – | – | 150,000 |
| | January 26, 2024 | 461,640 Awards will vest over 1.5 years.[5] | Nil | – | HK$3.50 | US$0.4324 | – | 461,640 | – | – | – | – | 461,640 |
| Dr. Yining Zhao[6] | January 26, 2023 | 198,997 Awards will vest over 2 years. | US$0.001 | – | HK$3.02 | US$0.3001 | 198,997 | – | 99,499 | HK$3.50 | 99,498 | – | – |
| Mr. Xiaolu Weng[7] | December 27, 2023 | 400,000 Awards will vest over 2 years. | US$0.001 | – | HK$2.61 | US$0.3662 | 400,000 | – | 200,000 | HK$0.60 | – | – | 200,000 |
| | January 26, 2024 | 203,960 Awards will vest over 1 year. | Nil | – | HK$3.50 | US$0.2726[6] | – | 203,960 | – | – | – | – | 203,960 |
| | August 30, 2024 | 200,000 Awards will vest over 12 months. | Nil | – | HK$1.35 | US$0.1713 | – | 200,000 | 66,664 | HK$0.68 | – | – | 133,336 |
| Mr. Jiasong Tang | December 19, 2022 | 30,000 Awards will vest from the date of the grant to September 29, 2024. | Nil | – | HK$3.07 | US$0.3858 | 10,000 | – | 10,000 | HK$1.02 | – | – | – |
| Mr. Zhihua Zhang | December 19, 2022 | 30,000 Awards will vest from the date of the grant to September 29, 2024. | Nil | – | HK$3.07 | US$0.3858 | 10,000 | – | 10,000 | HK$1.02 | – | – | – |
| Dr. Kumar Srinivasan | April 6, 2023 | 30,000 Awards will vest over 3 years. | Nil | – | HK$2.73 | US$0.3418 | 30,000 | – | 10,000 | HK$1.89 | – | – | 20,000 |
| Ms. Helen Wei Chen | December 27, 2023 | 30,000 Awards will vest over 3 years. | Nil | – | HK$2.61 | US$0.3670 | 30,000 | – | 10,000 | HK$0.60 | – | – | 20,000 |

# Report of Directors

| Name | Date of grant | Vesting period[1] | Purchase price (per Share) | Performance target[2] | Closing price of Shares immediately before the date of grant | Fair value of Awards on the date of grant[3] | Unvested Awards as at January 1, 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Weighted average closing price of Shares immediately before the vesting date | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Unvested Awards as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Senior management* | | | | | | | | | | | | | |
| Dr. Caroline Germa | December 19, 2022 | 3,000,000 Awards will vest over 4 years. | US$0.001 | – | HK$3.07 | US$0.3850 | 2,250,000 | – | 750,000 | HK$1.30 | – | – | 1,500,000 |
| | March 31,2023 | 1,500,000 Awards will be vested based on performance targets. | US$0.001 | Upon target achievements of clinical development progress milestones for several programs. | HK$2.56 | US$0.3093~ 0.3094 | 1,500,000 | – | – | – | – | – | 1,500,000 |
| | April 6, 2023 | 500,000 Awards will be vested based on performance targets. | US$0.001 | Upon target achievements of clinical development progress milestones for several programs. | HK$2.73 | US$0.3410 | 500,000 | – | – | – | – | – | 500,000 |
| | December 27, 2023 | 100,000 Awards will vest over 1.5 years.[5] | Nil | – | HK$2.61 | US$0.3670 | 100,000 | – | – | – | – | – | 100,000 |
| | January 26, 2024 | 305,620 Awards will vest over 1.5 years.[5] | Nil | – | HK$3.50 | US$0.4324 | – | 305,620 | – | – | – | – | 305,620 |

# Report of Directors

| Name | Date of grant | Vesting period[1] | Purchase price (per Share) | Performance target[2] | Closing price of Shares immediately before the date of grant | Fair value of Awards on the date of grant[3] | Unvested Awards as at January 1, 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Weighted average closing price of Shares immediately before the vesting date | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Unvested Awards as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)* | | | | | | | | | | | | | |
| 269 Employee Participants in aggregate | April 15, 2022 | 1,446,300 Awards will vest over 3 years. | Nil | – | HK$7.15 | US$0.9117 | 286,530 | – | 239,840 | HK$0.63 | 41,890 | – | 4,800 |
| 89 Employee Participants in aggregate | December 19, 2022 | 1,675,160 Awards will vest over 1~4 years; 300,000 shares based on performance targets. | Nil | Upon the achievement of performance targets on CMC, clinical development and partnership. | HK$3.07 | US$0.3858 | 1,329,046 | – | 386,082 | HK$0.80 | 94,368 | – | 848,596 |
| 5 Employee Participants in aggregate | March 31, 2023 | 310,000 Awards will vest over 1~4 years. | Nil | – | HK$2.56 | US$0.3101 | 310,000 | – | 87,500 | HK$2.08 | – | – | 222,500 |
| 231 Employee Participants in aggregate | July 21, 2023 | 2,492,800 Awards will vest over 1~4 years; 300,000 shares based on performance targets. | Nil | Upon target achievements of milestones for drug discovery, clinical development, regulatory approval and partnership development of several programs. | HK$5.10 | US$0.6559 | 1,783,700 | – | 929,066 | HK$1.47 | 577,900 | – | 276,734 |
| 30 Employee Participants in aggregate[5] | December 27, 2023 | 1,203,000 Awards will vest over 1~4 years. | Nil | – | HK$2.61 | US$0.3670 | 1,203,000 | – | 988,000 | HK$0.60 | 140,000 | – | 75,000 |

# Report of Directors

| Name | Date of grant | Vesting period[1] | Purchase price (per Share) | Performance target[2] | Closing price of Shares immediately before the date of grant | Fair value of Awards on the date of grant[3] | Unvested Awards as at January 1, 2024 | Granted during the Reporting Period | Vested during the Reporting Period | Weighted average closing price of Shares immediately before the vesting date | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Unvested Awards as at December 31, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 202 Employee Participants in aggregate[8] | January 26, 2024 | 3,248,050 Awards will vest over 1 year. | Nil | – | HK$3.50 | US$0.4324 | – | 3,248,050 | – | – | 45,630 | – | 3,202,420 |
| 1 Employee Participant | August 30, 2024 | 400,000 Awards: will vest over 4 years; 300,000 shares based on performance targets. | Nil | Upon target achievements of milestones for the fulfillment of the relevant partnership. | HK$1.35 | US$0.1713 | – | 700,000 | – | – | – | – | 700,000 |
| **Total** | | | | | | | **14,376,481** | **5,119,270** | **3,794,671** | **–** | **999,286** | **–** | **14,701,794** |

Notes:

1. The exercise period of the Awards shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the grant letter.
2. All performance targets are set out in grant letters or offer letters.
3. The fair value of Awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binomial tree price model. The assumptions include risk free rate and expected volatility.
4. Dr. Li Xu was appointed as a non-executive Director with effect from August 28, 2024.
5. The vesting period has been revised from 1 to 1.5 years based on a supplemental agreement entered between the parties in 2024.
6. Dr. Yining Zhao resigned as chairman of the Board and non-executive Director with effect from June 7, 2024.
7. Mr. Xiaolu Weng resigned as an executive Director with effect from April 30, 2024.
8. Fair value of the Awards have been adjusted from the disclosure in the last published interim report due to changes in certain valuation parameters.

# Report of Directors

For further details of the Awards granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements published by the Company on January 26, 2024, March 25, 2024 and August 30, 2024 and the circular published by the Company on March 5, 2024.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

## EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Equity Incentive Plan and Share Incentive Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 12 and note 32, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB6,100,000 (as set out in note 12 to the consolidated financial statements).

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, during the Reporting Period, none of our Directors had any interest in a business, apart from the business of our Group, which materially competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

The Group has not entered into any non-exempt continuing connected transactions from the Listing Date up to December 31, 2024. Details of related party transactions of the Group for the Reporting Period are disclosed in note 32 to the consolidated financial statements, none of which fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

# Report of Directors

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period and up to the date of this annual report, the Company repurchased a total of 4,492,500 ordinary shares (the "**Shares Repurchased**") of the Company on the Stock Exchange an aggregate consideration of approximately HK$6,164,038.95. The repurchase was effected for the enhancement of the Company value and the benefits of the Company and the Shareholders as a whole. Particulars of the Shares Repurchased are as follows:

| Month of Repurchase | No. of Shares Repurchased | Repurchase price per share or highest repurchase price per share | Lowest | Aggregate Consideration |
|---|---|---|---|---|
| | | (HK$) | (HK$) | (HK$) |
| April | 300,500 | 1.7850 | 1.2000 | 487,599.75 |
| May | 985,500 | 1.8905 | 1.6300 | 1,783,994.80 |
| June | 856,500 | 1.7745 | 1.2900 | 1,324,275.20 |
| July | 796,500 | 1.5200 | 0.9900 | 1,097,254.90 |
| September | 682,000 | 1.2500 | 0.9700 | 729,429.50 |
| October | 176,500 | 1.2000 | 1.0200 | 193,070.00 |
| November | 479,000 | 1.0100 | 0.6400 | 408,535.60 |
| December | 216,000 | 0.7200 | 0.5900 | 139,879.20 |
| **Total** | **4,492,500** | | | **6,164,038.95** |

The Shares Repurchased during the period from April 16, 2024 to June 28, 2024 were subsequently cancelled on August 29, 2024. The Shares Repurchased from July 2, 2024 to December 31, 2024 were subsequently reserved as treasury shares..

Save as disclosed above and in the section headed "Other Financial Information", neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (including any sale of treasury shares (as defined under the Listing Rules)) listed on the Stock Exchange during the Reporting Period and up to the date of this report. As at December 31, 2024, the Company held 2,350,000 treasury shares, which may be used for to transfer or use for share grants under share schemes that comply with Chapter 17 of the Listing Rules, resell at market price to raise additional funds when Company think is appropriate, and for other purposes permitted under the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands, subject to market conditions and our Group's capital management needs.

# Report of Directors

## MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

## USE OF NET PROCEEDS

### *Background*

References are made to the section headed "Future Plans and Use of Proceeds" in the Prospectus, which sets out the Company's intended use of the net proceeds (the "**Intended Use**") from the Global Offering of approximately HK$553.4 million ("**Net Proceeds**") at the time of the listing of its Shares on the Main Board of the Stock Exchange (the "**Listing**"), the "Change in Use of Net Proceeds" as disclosed in the annual results announcement for the year ended 2022 (the "**2022 Annual Results Announcement**") and the "Further Change in Use of Net Proceeds" as detailed in the interim results announcement for the six months ended June 30, 2024 (the "**2024 Interim Results Announcement**") on the reallocation and change in use of Net Proceeds. Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Prospectus, the 2022 Annual Results Announcement and the 2024 Interim Results Announcement (in the event of conflict or inconsistency, the definitions in the 2024 Interim Results Announcement shall prevail).

As a clinical stage biopharmaceutical company with fully integrated capacities in discovery, research, development, and manufacturing, we have established a diversified and differentiated pipeline with drug candidates that have first-in-class or best-in-class potential, demonstrate clear clinical benefits, address significantly unmet medical needs and are highly synergistic with other candidates in our pipeline. It is our endeavor to advance our pipelines and edging them closer to commercialization. As disclosed in the section headed "Risk Factors – Risks related to pre-clinical and clinical development of drug candidates" in the Prospectus, clinical trial is expensive and can take a few years to complete, with inherently uncertain outcome. Also disclosed in the Prospectus is the risk of having our limited resources allocated to pursue a particular drug candidate or indication whilst failing to capitalize on drug candidates or indications that may later prove to be more profitable or having a greater likelihood of success. With our business and results of operations hinging on our ability to commercialize our drug candidates, there is thus always the risk that the Intended Use formulated based on predictions, assessment and analysis of the clinical development stages and outcome at the time of the Listing may, at any point in time thereafter, be no longer compatible with our actual operative needs and commercialization goals.

In view of the accelerated development post-Listing of our lead asset osemitamab (TST001), a potential best-in-class and differentiated antibody targeting Claudin18.2, a validated tumor associated antigen, which has gradually emerged as having the highest potential of commercialization, the Board has, after re-evaluating the Intended Use, resolved to reallocate the respective amounts of approximately HK$166 million and HK$30.0 million of the unutilized Net Proceeds to fund the development of osemitamab (TST001), details of such Change in Use of Net Proceeds and Further Change in Use of Net Proceeds, as well as the reasons therefor are disclosed in the 2022 Annual Results Announcement and the 2024 Interim Results Announcement. Such reallocation and deployment of unutilized Net Profit is considered to be more in line with our current business needs and our aim to develop osemitamab (TST001) as the global cornerstone treatment in Claudin18.2 expressing solid tumors including G/GEJ cancer, PDAC, and lung cancer, as well as enhance our Claudin18.2 franchise through proprietary combinations of osemitamab (TST001) with our other key oncology drug candidates.

# Report of Directors

Further to the aforementioned strategic realignment of resources, the Board has resolved to further change the Intended Use on March 28, 2025, by reallocating HK$50.8 million from the unutilized Net Proceeds previously applied towards the development of TST005, TST002 and business development to fund the development of osemitamab (TST001) and other projects that currently require support and funding to progress further (the "**Latest Change in Use of Net Proceeds**") based on the reasons disclosed in the section "Reasons for the Latest Change in Use of Net Proceeds" below. The table below sets out the utilization of Net Proceeds as at December 31, 2024, the allocation of the remaining unutilized Net Proceeds following the Latest Change in Use of Net Proceeds and the expected timeline for utilization of the remaining unutilized Net Proceeds:

| Use of Net Proceeds | Revised allocation of Net Proceeds as disclosed in the 2022 Annual Results Announcement | | Allocation of Unutilized Net Proceeds as at January 1, 2024 before the Further Change in allocation of the remaining unutilized Net Proceeds as disclosed in the 2024 Interim Results Announcement | Allocation of the remaining unutilized Net Proceeds as at June 30, 2024 as disclosed in the 2024 Interim Results Announcement after the Further Change in allocation of the remaining unutilized Net Proceeds as disclosed in the 2024 Interim Results Announcement | | Aggregate utilized amount during the Reporting Period | Unutilized Net Proceeds as at December 31, 2024 before the Latest Change in Use of Net Proceeds | Intended allocation of the remaining unutilized Net Proceeds after the Latest Change in Use of Net Proceeds | | Expected timeline of full utilization of the unutilized Net Proceeds |
|---|---|---|---|---|---|---|---|---|---|---|
| | % of Net Proceeds (approximately) | HK$ million | HK$ million | % of remaining unutilized Net Proceeds (approximately) | HK$ million | HK$ million | HK$ million | % of remaining unutilized Net Proceeds (approximately) | HK$ million | |
| 1. Research and development of our pipeline product candidates, funding of ongoing and planned clinical and pre-clinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows: | 82% | 453.8 | 239.4 | 87% | 99.9 | 201.9 | 67.5 | 88% | 71.8 | On or before December 31, 2025 |
| (i) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, osemitamab (TST001) | 50% | 276.7 | 152.8 | 26% | 30.0 | 182.8 | – | 52% | 42.8 | On or before December 31, 2025 |
| (ii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005 | 10% | 55.3 | 52.7 | 39% | 44.4 | 9.4 | 43.3 | 12% | 10.0 | On or before December 31, 2025 |

# Report of Directors

| Use of Net Proceeds | Revised allocation of Net Proceeds as disclosed in the 2022 Annual Results Announcement | | Allocation of Unutilized Net Proceeds as at January 1, 2024 before the Further Change in allocation of the remaining unutilized Net Proceeds as disclosed in the 2024 Interim Results Announcement | Allocation of the remaining unutilized Net Proceeds as at June 30, 2024 as disclosed in the 2024 Interim Results Announcement after the Further Change in allocation of the remaining unutilized Net Proceeds as disclosed in the 2024 Interim Results Announcement | | Aggregate utilized amount during the Reporting Period | Unutilized Net Proceeds as at December 31, 2024 before the Latest Change in Use of Net Proceeds | Intended allocation of the remaining unutilized Net Proceeds after the Latest Change in Use of Net Proceeds | | Expected timeline of full utilization of the unutilized Net Proceeds |
|---|---|---|---|---|---|---|---|---|---|---|
| | % of Net Proceeds (approximately) | HK$ million | HK$ million | % of remaining unutilized Net Proceeds (approximately) | HK$ million | HK$ million | HK$ million | % of remaining unutilized Net Proceeds (approximately) | HK$ million | |
| (iii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002 | 10% | 55.3 | 25.6 | 22% | 25.5 | 1.4 | 24.2 | 13% | 11.0 | On or before December 31, 2025 |
| (iv) fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008 | 12% | 66.5 | 8.3 | - | - | 8.3 | - | 10% | 8.0 | On or before December 31, 2025 |
| 2. Fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies | 8% | 44.3 | 44.3 | 13% | 14.3 | - | 14.3 | 12% | 10.0 | On or before December 31, 2025 |
| 3. For general working capital purposes and general operation expenses | 10% | 55.3 | - | - | - | - | - | - | - | N/A |
| **Total** | **100%** | **553.4** | **283.7** | **100%** | **114.2** | **201.9** | **81.8** | **100%** | **81.8** | |

# Report of Directors

## REASONS FOR THE LATEST CHANGE IN USE OF NET PROCEEDS

The Latest Change in Use of Net Proceeds follows the strategic direction of the previous changes, which together represents our clear and coherent plan to optimize the deployment of financial resources to better adapt and cope with changing market conditions, business development priorities and maximize potential returns of investment, which fully aligned with the Group's long-term growth and business strategy that aims at continuing and accelerating our strong commitment to drive commercialization and innovation.

With osemitamab (TST001), one of the Company's key programs with significant potential commercial value, being on track to become a promising global therapy that sets on to deliver the next wave of innovation in the first-line treatment of patients with Claudin18.2 expressing locally advanced or metastatic G/GEJ cancer, diverting resources to advance its clinical development globally is thus not only beneficial but also pivotal to the Group's operations. Meanwhile, we remain keen on driving progress in our early-stage pipeline to fulfil the commitment to building a globally competitive company with diversified programs, by funding ongoing and planned pre-clinical trials and preparation for registration filings of our key products and other pipeline products, which have huge potential in multiple indications. Accordingly, the Board has resolved to prioritize the funding of osemitamab (TST001) and other ongoing projects which the Board considers as having pressing financing needs.

The Board has considered the impact of the Latest Change in Use of Net Proceeds on the Group's business and is of the view that the reallocation of the unutilized Net Proceeds will enable the Group to utilize its cash resources to meet the overall financial needs of the Group more efficiently in light of the latest development of the Group's business and its actual operating conditions. The Board further confirms that there is no material change in the business of the Group as set out in the Prospectus, and that it will closely monitor the utilization of the remaining utilized Net Proceeds to ensure effective deployment of resources. The Board considers that the Latest Change in Use of Net Proceeds will not have any material adverse impact on the operations of the Group and is in line with our vision and in the best interests of the Company and its shareholders as a whole.

We expect to gradually utilize the remaining unutilized Net Proceeds, in accordance with the Latest Change in Use of Net Proceeds detailed above, by the end of 2025. The aforesaid expected timeline of full utilization of the Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development or any unforeseen circumstances. Save for the above, there is no other change in use of the remaining unutilized Net Proceeds. Meanwhile, the Board will continuously assess the use of the unutilized Net Proceeds and may revise or amend the use where necessary to cope with the changing market conditions and strive for better business performance of the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Date of this report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

# Report of Directors

## AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

Since the Listing Date and up to the Date of this report, the Company has not changed its auditor.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Particulars of the Company's significant events affecting the Company after the year ended December 31, 2024 are set out in the section headed "Management Discussion and Analysis – Events after the Reporting Period" of this annual report.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

By the order of the Board
**Xueming Qian**
*Executive Director, Chairman of the Board and Chief Executive Officer*
Hong Kong
March 30, 2025

# Directors and Senior Management

The Board consists of one executive Director, one non-executive Director and four independent non-executive Directors.

## DIRECTORS

### *Executive Directors*

**Dr. Xueming Qian (錢雪明)**, Ph.D., aged 57, is an executive Director, chairman of the Board and our chief executive officer and a member of the nomination committee of our Company. Dr. Qian was appointed as our Director in October 2012 and was re-designated as an executive Director in June 2021. He is also a director of Transcenta Therapeutics Co., Ltd. (Previously called Mabspace Biosciences (Suzhou) Co., Ltd.) and HJB (Hangzhou) Co., Ltd. He joined the Company since October 2012.

Dr. Qian served as senior vice president, head of R&D at Shenogen Pharma Group from June 2010 to September 2012. Dr. Qian also successively worked as postdoctoral fellow, senior scientist, principal scientist and team leader at Amgen Inc. (NASDAQ: AMGN) from September 1997 to June 2010.

Dr. Qian received his bachelor of science in biophysics from Fudan University (復旦大學) in July 1990 and a master of arts in biophysics and physiology from Columbia University in October 1992. He received Ph.D. in neurosciences and pharmacology from Albany Medical Center in May 1998. He is a member of the American Association of Cancer Research, American Society of Clinical Oncology, the European Society of Medical Oncology, the Clinical Research of Oncology Medicine Sub-Committee of the Chinese Anti-Cancer Association and the International Society of Nephrology.

### *Non-executive Director*

**Dr. Li Xu (徐莉)**, aged 68, joined the Company in July 2019 and currently serves as the head of CDx and the Strategic Advisor to the Chief Executive Officer of the Company, and is mainly responsible for providing strategic advice to the Company's oncology pipeline. Dr. Xu is a co-founder of XEXUS, a Global Biopharma Clinical Development Consulting, LLC and worked as a venture partner at Lilly Asia Ventures until 2022. Dr. Xu has also served as or was a medical advisor for multiple companies, including Johnson & Johnson Pte. Ltd, Cullinan Therapeutics (a company listed on NASDAQ, stock code: CGEM), Zymeworks Inc. (a company listed on NASDAQ, stock code: ZYME), CSPC Pharmaceutical Group Limited (a company listed on the Stock Exchange, stock code: 01093), Lilly Asia Ventures, AlaMab Therapeutics, Inc., Kechow Pharma, NanGene Biomedical Co., Ltd, Duality Biologics, Kira Pharmaceuticals, and Acerand Therapeutics. Prior to that, Dr. Xu worked at ACEA Biosciences from October 2016 to June 2019, with her latest position as acting chief medical officer. She also worked as the vice president and head of Oncology Clinical Development at Jiangsu Hengrui Pharmaceuticals Co., Ltd. from October 2013 to October 2016 (a company listed on the Shanghai Stock Exchange, stock code: 600276). Dr. Xu received her Executive MBA degree in global management from Fairleigh Dickinson University in 2004, her Master of Science degree in dentistry, specifically in head and neck cancer, from University of Washington in 1991, and her Doctor of Medicine degree from Shandong Medical University in 1982.

# Directors and Senior Management

## *Independent non-executive Directors*

**Mr. Jiasong Tang (唐稼松)**, aged 51, is an independent non-executive Director, chairperson of the audit committee and a member of the remuneration committee of our Company.

Mr. Tang has more than 20 years of experience in accounting and auditing. Mr. Tang previously worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP from September 1995 to August 2015, and was partner from June 2007 to August 2015.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Sichuan Zigong Conveying Machine Group Co., Ltd. (四川自貢運輸機械集團股份有限公司), a publicly listed company on the Shenzhen Stock Exchange (SHA: 001288), since November 2017 to April 2024.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司 and formerly named ENN Ecological Holdings Co., Ltd. 新奧生態控股股份有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600803), since November 2019.

Mr. Tang has been an independent non-executive director, chairman of the audit committee and a member of the remuneration committee of Shanghai Jin Jiang Online Network Service Co., Ltd. (上海錦江在線網絡服務有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600650), since September 2021.

Mr. Tang has been an independent non-executive director of Shanghai Ganso Co., Ltd. (上海元祖夢果子股份有限公司), a publicly listed company on the Shenzhen Stock Exchange (SHA: 603886), since January 2025.

Mr. Tang is a member of the Chinese Institute of Certified Public Accountants. He graduated from Shanghai University International Trading Institute (presently known as Shanghai University of International Business and Economics), major in Accounting and Finance in June 1995.

**Mr. Zhihua Zhang (張志華)**, aged 44, is an independent non-executive Director, chairperson of the nomination committee and a member of the audit committee and remuneration committee of our Company.

Mr. Zhang has served as an executive director and the president of Shanghai Jizi Investment Management Co., Ltd (上海季子投資管理有限公司) since December 2014. Mr. Zhang served as the deputy general manager of Shanghai Wangshi Industry Co., Ltd. (上海王獅實業有限公司), where he was responsible for corporate investment, from August 2009 to November 2014. Mr. Zhang worked at JunHe LLP in Shanghai as securities lawyer, where he worked on matters relating to corporate listing, investment and financing and mergers and acquisition from August 2007 to July 2009. Mr. Zhang worked at the office of the principal of Fudan University (復旦大學) as the director of the legal affairs office from July 2006 to August 2007.

Mr. Zhang received a bachelor of laws from Fudan University (復旦大學) in July 2004 and a master of laws majoring in civil and commercial law from Fudan University (復旦大學) in July 2006. Mr. Zhang holds a Chinese Legal Professional Qualification Certificate awarded in 2005.

# Directors and Senior Management

**Dr. Kumar Srinivasan**, aged 60, is an independent non-executive Director of our Company, and a member of the nomination committee and the chairperson of the remuneration committee of our Company.

Dr. Srinivasan has been appointed as president and chief executive officer of Wugen, Inc. since March 13, 2023. During 2021 to 2022, Dr. Srinivasan served as the executive vice president and chief business officer of Turning Point Therapeutics (a biopharmaceutical company previously listed on NASDAQ, stock code: TPTX, but was delisted on August 16, 2022 and became a subsidiary company of Bristol Myers Squibb, a pharmaceutical manufacturer listed on the New York Stock Exchange) and was responsible for crafting and leading corporate strategy, licensing, business development and alliance of management activities. Prior to that, Dr. Srinivasan served as the vice president and global head of biopharmaceuticals for AstraZeneca Pharmaceuticals (a subsidiary of AstraZeneca PLC, which was listed on NASDAQ, stock code: ANZ), in which he was responsible for and leading all licensing and business development and alliance management activities across multiple therapy areas for the biopharmaceuticals business unit.

Dr. Srinivasan holds an MBA from the University of Chicago's Booth School of Business in the United States, a Ph.D. degree in organic chemistry from the Case Western Reserve University in the United States and a bachelor and master's degree with concentration in chemistry from the University of Madras in India.

**Ms. Helen Wei Chen** (陳瑋), aged 58, is an independent non-executive Director of the Company.

Ms. Chen serves as the global sector co-head for the healthcare practice and the Greater China managing partner of L.E.K. Consulting based in Shanghai. Ms. Chen has over 30 years of consulting and industry experience in the U.S. and Asia markets and has lived in China since 2000. Ms. Chen helps companies expand their presence in China and Asia, and leverages Asia's innovation to improve their global businesses. Ms. Chen was named one of Consulting magazine's Global Leaders in Consulting in 2019.

Ms. Chen is a frequent speaker and author on the opportunities and issues in the China healthcare and life sciences industry, and has been quoted by publications including BioCentury, BioWorld, In Vivo, Wall Street Journal, Financial Times and Forbes Asia.

Prior to joining L.E.K., Ms. Chen was an associate director of finance at Genentech Inc. (a wholly-owned member of the Roche Group, which is listed on OTCQX, stock code: RHHBY) and a sales planner at Abbott Laboratories (subsequently split to AbbVie Inc., which is listed on NYSE, stock code: ABBV). Ms. Chen received her A.B. cum laude in applied mathematics from Harvard University.

# Directors and Senior Management

## *Senior Management*

**Dr. Xueming Qian (錢雪明)**, Ph.D., aged 57, is an executive Director, chairman of the Board and our chief executive officer and a member of the nomination committee. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

**Dr. Caroline Germa**, M.D., Ph.D., aged 53, has served as the Executive Vice President, Global Medicine Development and Chief Medical Officer with effect from August 8, 2022. Dr. Germa is an accomplished medical oncologist and medicine development leader with over 20 years of pharmaceutical experience across the spectrum of drug development, from early clinical trials to late phase and registration. She joined the Company since August 2022.

Prior to joining the Company, Dr. Germa served as the Vice President and Head of the Early Development Clinical Group for AstraZeneca's oncology department. During her time at AstraZeneca, Dr. Germa built an Early Development Clinical Group with over 180 staff and guided the clinical development of the early oncology portfolio. Immediately prior to joining AstraZeneca, she worked for Bristol Myers Squibb ("**BMS**") and served as the Vice President of BMS Oncology and Development Team Lead for a major partnered oncology program.

Before joining BMS, Dr. Germa spent seven years at Novartis, and led the late phase clinical development of multiple key oncology assets, especially the worldwide registration strategy and approval of Ribociclib (CDK4/6 inhibitor – Kisqali). Earlier in her career, she also worked for Pfizer as its clinical lead for Neratinib (anti-HER2 inhibitor, Nerlynx) as well as Eli Lilly France and Sanofi/Aventis.

Dr. Germa received her MD and Medical Oncologist Degree, as well as Breast Disease and Immunology Master Degrees from Paris and Lille University, France.

**Mr. Weiwei Liang ("Mr. Liang")**, aged 49, had been Vice President of Business Development & Corporate Strategy Department of the Company since August 2024 before his promotion to Senior Vice President and taking on the role of Acting Chief Financial Officer from March 1, 2025. Mr. Liang brings to his twin positions over 20 years of extensive global experience in business development, finance and commercial Strategy, having stepped up progressively into senior roles at Bristol Myers Squibb ("BMS"), Novartis, and Bayer.

Prior to joining the Company, Mr. Liang served as senior director of Business Development at BMS's global headquarters, where he led transformative collaborations and venture investments, whilst having played a key role in advancing artificial intelligence and machine learning innovations to accelerate drug discovery, development, and commercialization across all therapeutic areas. Prior to his tenure at BMS, Mr. Liang held key positions in business development, commercial strategy, and finance at Novartis and Bayer, with his expertise spanning the full business development lifecycle including deal sourcing, due diligence, negotiation, execution, and post-deal integration across a broad range of assets, including molecules, technologies, medical devices, and digital therapeutics. His finance background encompasses business planning and analysis, R&D and commercial finance, supply chain and manufacturing finance, corporate strategy and portfolio management, M&A finance, and controlling, where he served as controller within a strategic business unit.

Mr. Liang holds an MBA from Carnegie Mellon University's Tepper School of Business in the United States in 2006 after obtaining his bachelor's degree in Electronics Engineering from Beijing University of Technology (北京工業大學) in 1999.

# Directors and Senior Management

### *Company Secretary*

**Ms. Leung Kwan Wai (梁君慧)** is the company secretary of the Company since June 2021. Ms. Leung is a senior manager of Company Secretarial Services of Tricor Services Limited. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly 'The Hong Kong Institute of Chartered Secretaries') and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

## CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the Date of this report since the last published interim report.

# Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report of the Company for the Reporting Period.

## CORPORATE GOVERNANCE PRACTICES

The Company was incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the CG Code under Appendix C1 to the Listing Rules, except for code provision C.2.1, as explained in the paragraph headed "Chairman and Chief Executive Officer" in this report.

Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Xueming Qian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own securities dealing code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date. Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code during the Reporting Period.

No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the Reporting Period.

# Corporate Governance Report

## CORPORATE CULTURE

The Board has established the Group's purpose, values and strategy, and satisfy itself that these and the Group's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instill such culture into the Company and continually reinforces across our Company's values of acting lawfully, ethically and responsibly.

A healthy corporate culture set up by the Group, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with core principles to guide the behaviors of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

## BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, oversees the Group's businesses, strategic decisions, monitors performance and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee, the remuneration committee and the nomination committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

## BOARD COMPOSITION

As at the Date of this report, the Board comprises one executive Director, one non-executive Director and four independent non-executive Directors.

The composition of the Board is as follows:

### *Executive Directors*

Dr. Xueming Qian (錢雪明) *(Chairman of the Board, Chief Executive Officer)*

### *Non-executive Director*

Dr. Li Xu (徐莉) *(Appointed with effect from August 28, 2024)*

### *Independent non-executive Directors*

Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 71 to 75 of this annual report.

To the best knowledge of the Company, none of the members of the Board is related to one another.

# Corporate Governance Report

## BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Company had held five Board meetings during the Reporting Period.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during Reporting Period is set out in the following table below:

| | Number of meeting(s) attended/number of meeting(s) held during the Reporting Period | | | | |
|---|---|---|---|---|---|
| **Name of Directors** | **Board meeting(s)** | **Audit Committee meeting(s)** | **Remuneration Committee meeting(s)** | **Nomination Committee meeting(s)** | **General meeting(s)** |
| **Executive Directors:** | | | | | |
| Dr. Xueming Qian | 5/5 | N/A | N/A | 2/2 | 2/2 |
| Mr. Xiaolu Weng[(1)] | 5/5 | N/A | N/A | N/A | 2/2 |
| **Non-executive Director:** | | | | | |
| Dr. Yining Zhao[(2)] | 2/5 | 1/3 | N/A | N/A | 2/2 |
| Dr. Li Xu[(3)] | 2/5 | 1/3 | N/A | N/A | N/A |
| **Independent Non-executive Directors:** | | | | | |
| Mr. Jiasong Tang | 5/5 | 3/3 | 3/3 | N/A | 2/2 |
| Mr. Zhihua Zhang | 5/5 | 3/3 | 3/3 | 2/2 | 2/2 |
| Dr. Kumar Srinivasan | 5/5 | N/A | 3/3 | 2/2 | 2/2 |
| Ms. Helen Wei Chen | 5/5 | N/A | N/A | 2/2 | 2/2 |

Notes:

1. Mr. Xiaolu Weng resigned as an executive Director of the Company with effect from April 30, 2024.
2. Dr. Yining Zhao resigned as chairman of the Board, non-executive Director of the Company and a member of Audit Committee with effect from June 7, 2024.
3. Dr. Li Xu was appointed as non-executive Director and a member of Audit Committee with effect from August 28, 2024.

Apart from regular Board Meetings, the Chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period in accordance with code provision C.2.7 of the CG Code.

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the appointment of Dr. Xueming Qian as the chairman of the Board with effect from June 7, 2024, Dr. Qian served as both the chairman of the Board and the chief executive officer. The nomination committee of the Board is of the view and the Board agrees that despite deviating from the Corporate Governance Code, Dr. Qian will provide solid and continuous leadership to the Group with his extensive experience and knowledge in management and the support of other members of the Board.

Further, vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. As at date of this report, the Board currently comprises only one executive Director, one non-executive Director and four independent non-executive Directors, the majority of the Board will consist of independent non-executive Directors who will be able to assist in scrutinising important decisions and monitoring the exercise of power by Dr. Qian, being both the chairman and chief executive officer, the Directors are therefore of the view that there is a fairly strong independence element in the Board's composition and an appropriate delegation of authorities to the management. The Board will continue to review and consider segregating the roles of chairman of the Board and chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance and alignment with the latest measures and standards set out in the CG Code, and maintain a high standard of corporate governance practices of the Company.

# Corporate Governance Report

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date and up to the Date of this report, the Board has at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as of the date of this report.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

All Directors will hold office subject to provision of retirement by rotation and re-election at annual general meeting. Pursuant to Article 118(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Accordingly, the following Directors, Dr. Kumar Srinivasan, Mr. Zhihua Zhang, Mr. Jiasong Tang and Dr. Li Xu shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board would regularly review the contribution required from each Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performs them.

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The Board reserves for its decision on all major matters relating to policy matters, strategies, budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the Group's senior management whom are responsible for overseeing the general operation, business development, finance, marketing and operations.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

## DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the CG Code. The audit committee comprises of three non-executive Directors (including independent non-executive Directors), namely, Mr. Jiasong Tang, Mr. Zhihua Zhang and Dr. Li Xu. Mr. Jiasong Tang, being our independent non-executive Director with the appropriate professional qualifications, is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions (if any) and to provide advice and comments to the Board. The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and report, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the financial controls system and engagement of non-audit services;

# Corporate Governance Report

- reviewed the risk management and internal control systems and internal audit function and discussed with the management and internal audit on their findings;
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company; and
- reviewed, discussed matters with respect to and made recommendations to the matters relating to ESG.

During the Reporting Period, the Audit Committee met three times to review the Company's annual results and annual report for the year ended December 31, 2023 and the interim results and interim report for the six months ended June 30, 2024. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period assisted the Board in meeting its responsibilities for maintaining an effective system of internal control, reviewed the whistling blowing policy and anti-corruption policy, and has met with the independent auditor, Deloitte Touche Tohmatsu and reviewed the consolidated financial statements of the Group for the year ended December 31, 2024 in conjunction with the Auditor. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, internal control and financial reporting matters with senior management members of the Group. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee comprises three independent non-executive Directors, namely Dr. Kumar Srinivasan, Mr. Jiasong Tang and Mr. Zhihua Zhang. Dr. Kumar Srinivasan is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee met three times to review to the Board on the remuneration packages of individual executive directors and senior management. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- assessed the performance of executive Directors;
- reviewed and made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- reviewed and made recommendations to the Board on the remuneration of the non-executive Director;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; and

# Corporate Governance Report

- reviewed and approved matters relating to share schemes under Chapter 17 of the Listing Rules, including the grants of options or awards to the Directors and senior managers to attract, remunerate, incentivize and reward the key talents, and encourage them to work towards enhancing the value of the Company and its Shares, including the following material matters in relation to its existing share schemes:
    - the proposed grant of share awards and share options under the Share Incentive Scheme to each of Dr. Xueming Qian, Dr. Yining Zhao, Mr. Xiaolu Weng, three senior management and to 201 employees on January 25, 2024;
    - the proposed refreshment of scheme mandate limit and service provider sublimit on January 25, 2024;
    - the amendment of remuneration and job assignment of employees;
    - in relation to the above grants of share awards to senior management and Directors that had a vesting period shorter than 12 months, the Remuneration Committee was of the view that such arrangement aligns with the purpose of the Share Incentive Scheme as it incentivizes and encourages them to work towards enhancing the value of the Company and its Shares; and
    - in relation to the above grants of share awards to senior management and Directors that did not contain any performance targets, the Remuneration Committee was of the view that (i) such grants formed part of their respective remuneration; and (ii) the grants were to recognize and reward the relevant persons for their past contributions to the Company, and can incentivize and retain the relevant grantees, whose contributions are beneficial to the continual operation, development and long-term growth of the Group. Therefore, the Remuneration Committee was of the view that it was not necessary to set performance targets for such relevant grants.

For details of the grants of options and share awards to Directors and senior management of the Company, please refer to the announcements of the Company dated January 25, 2024, the circulars and poll result of extraordinary general meeting of the Company dated March 5, 2024 and March 25, 2024.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

# Corporate Governance Report

Details of the fees and other emoluments paid or payable to the Directors for the Reporting Period are set out in note 12 to the consolidated financial statements contained in this annual report.

The remuneration of the members of senior management (excluding the Directors) of the Group by band for the Reporting Period is set out below:

| | Year ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **senior management** | senior management |
| HK$1,500,001 to HK$2,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **2** | – |
| HK$3,500,001 to HK$4,000,000 | **–** | 1 |
| HK$4,000,001 to HK$4,500,000 | **–** | 1 |
| HK$4,500,001 to HK$5,000,000 | **1** | – |
| HK$7,000,001 to HK$7,500,000 | **–** | 1 |
| | **4** | 3 |

## NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee comprises one executive Director, namely Dr. Xueming Qian, and three independent non-executive Directors, namely Mr. Zhihua Zhang and Dr. Kumar Srinivasan and Ms. Helen Wei Chen. Mr. Zhihua Zhang is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held two meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring directors standing for election at the forthcoming annual general meeting. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assessed and disclosed the policy for the nomination of Directors;
- assessed the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the re-election of directors;

# Corporate Governance Report

- reviewed the structure, size and composition of the Board;
- reviewed the board diversity policy and assessed the progress of the implementation;
- identified and/or made recommendations to the Board on introducing new directors and senior management;
- inspected and supervised the relevant policies and practices in complying with the legal and regulatory requirements, monitored the code of conduct and compliance guidelines;
- inspected and supervised the training and continuous professional development of the directors and senior management.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, details of which will be set out in the section headed "Board Diversity Policy".

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board. The details of which will be set out in the section headed "Director Nomination Policy".

## BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the" Diversity Policy") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

The Company has appointed one female non-executive director, Dr. Li Xu, during the financial year ended December 31, 2024 and achieved better diversity of the Board. The Company has one-third female Board members and one female member as the Group's senior management. Going forward, the Company will continue to work on enhancing the gender diversity of the Board.

The Nomination Committee will be responsible for identifying suitable female candidates and providing their recommendations to the Board to enhance the gender diversity of the Board. Subject to (i) the Board being satisfied with the background, qualification and experience of the relevant candidate(s) and their potential contributions to the development of the Group, (ii) the Directors fulfilling their fiduciary duties to act in the best interest of our Company and the Shareholders as a whole when making the relevant recommendation(s), and (iii) the Company's prevailing nomination policy, the Board recommended the female candidate after identifying suitable candidate to the Shareholders for appointment as a member of the Board.

# Corporate Governance Report

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level (with reference to the Diversity Policy) so that it will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board.

The following table sets out the gender ratio in the workforce of the Group as at the Date of this report:

| | Female | Male |
|---|---|---|
| **Senior Management** | 50% (2) | 50% (2) |
| **Other employees** | 59.52% (100) | 40.48% (68) |
| **Overall workforce** | 59.3% (102) | 40.70% (70) |

Further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

## DIRECTOR NOMINATION POLICY

On June 22, 2021, the Company adopted a director nomination policy (the" Director Nomination Policy") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the biopharmaceutical sector;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

# Corporate Governance Report

In terms of succession planning, the following considerations will be used by the Nomination Committee in making recommendations:

- required knowledge, skills and experience at a full Board composite level to effectively fulfil the Board's legal role and responsibilities;
- an appropriate balance of diversity across the Board;
- personal qualities of each candidates;
- continuity through a smooth succession of Directors; and
- compliance with the relevant legal and regulatory requirements.

The Nomination Committee will review the Director Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

## WHISTLEBLOWING POLICY

On June 1, 2021, the Company adopted a whistleblowing policy (the "Whistleblowing Policy") and amended the policy on November 24, 2022 in accordance with the code provision D.2.6 of CG Code. The Company has established a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company.

## ANTI-CORRUPTION POLICY

On July 1, 2020, the Company adopted an anti-corruption policy (the "Anti-corruption Policy") and amended the policy on November 24, 2022 in accordance with the code provision D.2.7 of CG Code. The Anti-corruption Policy aims to promote and support anti-corruption laws and regulations.

## BOARD INDEPENDENCE EVALUATION MECHANISM

On November 24, 2022, the Company adopted a board independence evaluation mechanism (the "Board Independence Evaluation Mechanism") in accordance with the code provision B.1.4 of CG Code. The Board Independence Evaluation Mechanism sets out the principles and guidelines that the Company intend to ensure independent view and input are available to the board. All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board. During the year ended December 31, 2024, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTION

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report. The Board has performed the above duties during the Reporting Period.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

## DIVIDEND POLICY

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends and should disclose such policy in the annual report. The Company has adopted a dividend policy effective as of March 22, 2022, which outlines the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

According to the Dividend Policy:

1. Subject to Cayman Islands company law and the Articles of Association (as amended from time to time), the Board has absolute discretion on whether to declare and distribute dividends. In addition, the Shareholders in general meeting may declare dividends but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company that are lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend on the Company's future operations and earnings, capital requirements and surplus, cash flows, general financial condition, contractual restrictions and other factors that the Board considers relevant.

2. Any future dividend payments to Shareholders will also depend upon the availability of dividends received from the subsidiaries of the Company. Regulations in China may restrict the ability of the Company's PRC subsidiaries to pay dividends to the Company.

3. If the Company pays any dividends on the Shares, unless and to the extent that the rights attached to the Shares or the terms of issue thereof otherwise provide, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on Shares in advance of calls may for this purpose be treated as paid up on the Shares, and (ii) all dividends will be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any of the Shareholders all sums of money (if any) presently payable by such Shareholders to the Company on account of calls, instalments or otherwise.

# Corporate Governance Report

4. Any final dividend for a financial year will be subject to Shareholders' approval. The Company may declare and pay dividends in cash or by shares. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association and all applicable laws and regulations.

5. The Company does not have a fixed dividend payout ratio. The Company currently intends to recommend dividends commensurate with the industry average level, while maintaining adequate reserves for its operations, expansion and future growth. The Dividend Policy reflects the Board's current views on the Company's financial position. The Board will continue to review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2024.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows of the Group for that period.

In preparing the financial statements, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

A statement by the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is included in the Independent Auditor's Report on pages 99 to 101 of this annual report.

## GOING CONCERN AND MITIGATION PLANS AND MEASURES

### *Disclaimer of Opinion and the Directors' views*

Pursuant to code provision D.1.3 of Part 2 of the CG Code, the Directors were aware of the matters disclosed in note 3.1 to the consolidated financial statements of the Group for the year ended December 31, 2024 (the "Consolidated Financial Statements"), and described in the Independent Auditor's Report as "events and conditions" that "may cast significant doubt on the Group's ability to continue as going concern", and for which the Auditor has issued a disclaimer of opinion ("Disclaimer of Opinion") in relation to the Consolidated Financial Statements, details of which are set out in the sections headed "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" respectively in the Independent Auditor's Report and further clarified in the supplemental announcement dated March 31, 2025 issued by the Company.

The Directors have given careful consideration to the Disclaimer of Opinion and had been in ongoing discussions with the Auditor when preparing the Consolidated Financial Statements. The Auditor has opined in the Independent Auditor's Report that save for the Disclaimer of Opinion, the Consolidated Financial Statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance. The management's views on such Disclaimer of Opinion are disclosed in the paragraphs headed "Directors' views on the Disclaimer of Opinion" in the Management Discussion and Analysis of this annual report, and substantially repeated as follows:

# Corporate Governance Report

The Directors of the Company have given careful consideration to the future liquidity and the financial position of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cashflow projection prepared by management, which cover a period of not less than twelve months from December 31, 2024. They are of the opinion that, taking into account the plans and measures taken to mitigate the Group's liquidity pressure and improve its financial position, the liquidity needs of the Group will be managed and the financial position of the Group will be improved. As such, the Group will have sufficient financial resources to finance its operations and meet its financial obligations when they fall due within twelve months from the date of approval of the Consolidated Financial Statements. Accordingly, the Directors of the Company have, at the time of approving the Consolidated Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Save for the matters disclosed in this annual report and the Consolidated Financial Statements, the Directors are not aware of any other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, and thus it is appropriate for the Consolidated Financial Statements to be prepared on a going concern basis.

### *Plans and measures taken to address the Disclaimer of Opinion*

The Group has been undertaking a number of plans and measures to mitigate its liquidity pressure and to improve its financial position, which are set out in Note 3.1 to the Consolidated Financial Statements, and as follows:

***(i) exploring non-exclusive, royalty bearing proprietary technology platform out-licensing opportunities***

The Group has been actively pursuing out-licensing opportunities and has, in March 2025, signed a non-binding term sheet for the license and technology transfer of certain proprietary technologies and intellectual property to an independent third party licensor, with the view of entering into a definitive agreement. The management of the Company considers that the transactions contemplated thereunder, once consummated, will bring in license fee plus royalty (payable upfront upon execution and thereafter at milestones). For details, please refer to the paragraphs headed "CDMO Out-licensing" in the Management Discussion and Analysis of this annual report.

***(ii) talking with various third parties to further its global development and commercialization of a major pipeline, with "licensing out" and/or "co-development" plans***

The Company has received a term sheet for its main pipeline asset and is in the process of finalizing agreement with an investment firm in support of its fundraising effort for the asset, with a view to closing such transaction.

***(iii) pursuing the fund raising to support further development of other pipelines***

To which end, the Company has been in talks with various parties negotiating terms of collaboration and working towards closing such transactions.

***(iv) engaging in discussion and negotiations with various parties for capital fundings***

The Group has engaged in discussion and negotiations with various parties to explore various opportunities for capital fundings within the year, including but not limited to PIPE or the issuance of convertible bonds.

***(v) prospecting and engaging new contract development and manufacturing services customers for its services***

The Group has, by the date of this annual report, managed to engage three new customers for such services.

# Corporate Governance Report

***(vi) exploring global partnership in perfusion and fed batch culture media supply, as well as other co-development and licensing opportunities***

The Group expects to identify another potential partner which it looks to enter into term sheet with, in contemplation of a definitive agreement thereafter.

***(vii) negotiating with various banks to secure new banking facility, in addition to renewal and extension of existing bank borrowings beyond December 31, 2024***

The Group has already managed to secure bank facilities beyond December 31, 2024 and up to the date of this annual report.

***(viii) negotiating with the suppliers to extend the repayment dates of the overdue payables***

The Group has been in active talks with its suppliers, and has by the date of this annual report, managed to achieve extension with two major suppliers.

***(ix) implementing initiatives to align its resources more effectively and efficiently with the Group's strategic objectives to continue advancing its core products, including but not limited to, the evaluation of existing projects to prioritize essential investments in research and development and optimize the task force***

On-going attempts are being made by the Group to optimize resource allocation and utilization towards enhancing overall efficiency and performance.

As at the date of this annual report, the aforementioned plans and actions, save as otherwise disclosed above, have yet to be fully realized, completed or concluded. As such plans and measures involve on-going negotiations and communications with various external parties, the precise timing for attainment of the above goals cannot be ascertained with accuracy, yet the Group will strive towards attaining the same during the financial year ending December 31, 2025.

## *Potential impact of the Disclaimer of Opinion on the Group's financial position*

Should the Group be unable to continue to operate as a going concern, adjustments might have to be made to write down the carrying values of the Group's assets including goodwill, property, plant and equipment, intangible assets not yet ready for use and right-of-use assets to their recoverable amounts, to reclassify non-current assets as current assets, to reclassify non-current liabilities as current liabilities, or to recognize any further liabilities which might arise, where appropriate. The effects of these adjustments have not been reflected in the Consolidated Financial Statements.

## *Audit Committee's view on the Declaimer of Opinion*

The Audit Committee has reviewed the facts and circumstances leading to the Disclaimer of Opinion, discussed with the Auditor and the management of the Company on matters and the basis for the Disclaimer of Opinion, and taken into account the Directors' views thereto and the plans and measures undertaken (and continue to focus on) by the Group to support the going concern assumptions used in preparation of the Consolidated Financial Statements. After careful analysis and prudent assessment of the aforementioned plans and measures (if effectively implemented) in mitigating the liquidity burden, optimising the Group's operations and improving its financial position, the Audit Committee concurs with the Directors' assessment and the basis for forming such view with respect to adopting going concern assumptions in the preparation of the Consolidated Financial Statements.

# Corporate Governance Report

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored training on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. Dr. Li Xu, who was appointed as non-executive director with effect from August 28, 2024, obtained a legal opinion letter on July 22, 2024, in accordance with Rule 3.09D of the Listing Rules, confirming her understanding of her responsibilities as a director of a listed issuer. All Directors are encouraged to attend relevant training courses at the Company's expense.

The Company arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The training records of the Directors for the Reporting Period are summarized as follows:

| Name of Directors | Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance | Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance |
|---|---|---|
| **Executive Directors:** | | |
| Dr. Xueming Qian[1] | ✓ | ✓ |
| Mr. Xiaolu Weng[2] | ✓ | ✓ |
| **Non-executive Director:** | | |
| Dr. Yining Zhao[3] | ✓ | ✓ |
| Dr. Li Xu[4] | ✓ | ✓ |
| **Independent Non-executive Directors:** | | |
| Mr. Jiasong Tang | ✓ | ✓ |
| Mr. Zhihua Zhang | ✓ | ✓ |
| Dr. Kumar Srinivasan | ✓ | ✓ |
| Ms. Helen Wei Chen [2] | ✓ | ✓ |

Notes:

1. Dr. Xueming Qian was appointed as chairman of the Board with effect from June 7, 2024.
2. Mr. Xiaolu Weng resigned as executive director with effect from April 30, 2024.
3. Dr. Yining Zhao resigned as chairman of the Board, non-executive director and a member of Audit Committee with effect from June 7, 2024.
4. Dr. Li Xu was appointed as non-executive director and a member of Audit Committee with effect from August 28, 2024.

# Corporate Governance Report

## AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the Reporting Period are set out in the table below:

## SERVICES RENDERED FOR THE COMPANY

| | Fees paid and payable RMB'000 |
|---|---|
| Audit service | 1,648 |
| – Annual audit services | 1,648 |
| Non-audit service | 1,150 |
| – Interim review | 480 |
| – Tax advising services | 660 |
| – ESG service | 10 |
| **Total** | 2,798 |

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has the overall responsibility to maintain sound and effective risk management and internal control systems and to review their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, the Board had conducted a comprehensive review of the effectiveness of the risk management and internal control system of the Company and considered the system effective and adequate.

The Company has established an internal audit and internal control function to carry out the analysis and independent appraisal of the adequacy and effective of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions on a regular basis. Each member of the Company is required to adhere strictly to the Company's internal control procedures and report to the internal audit team of any risks or internal control measures. The Board has reviewed the adequacy and effectiveness of the internal audit function and the review is satisfactory.

The Company has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public and media or market speculation which may materially affect the trading price or volume of the Shares on the market.

# Corporate Governance Report

In the ordinary course of the Company's business, sensitive data is collected and stored, including, among other things, identity information about our students and our employees, intellectual property, and proprietary business information. The Company manages and maintains our applications and data utilizing on-site systems. These applications and data encompass a wide variety of business critical information including commercial information, and business and financial information. The Company has implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided.

The Company's Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, ESG risks, internal control, quality assurance or other matters of the Company. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the code.

## RISK MANAGEMENT

The Company recognizes that risk management is critical to the success of our business operation. We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives and remediation actions on an on-going basis. Our Compliance Committee, Audit Committee, and ultimately the Board supervise the implementation of our risk management policies.

The following key principles outline our Company's approach to risk management:

- Our Board of Directors, assisted by the Audit Committee, is responsible for monitoring and assessing the effectiveness of Company's risk management system, to ensure that the Company's operations are effective and comply with the relevant laws and regulations.
- Our Audit Committee assists the Board by forming independent opinion on the effectiveness of internal control and risk assessment systems, oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with the corporate objectives; (ii) monitoring the most significant risks related to the business operations and the handling of such risks by discussing with senior management to ensure that effective risk management system is in place; and (iii) evaluating any risk assessments are conducted and measures are applied to guide internal audit and compliance activities.
- Our Compliance Committee, chaired by the CEO, is responsible for analyzing and managing the risks and threats related to the Company's business operation. It sets out the compliance management principles, as well as the roles and responsibilities of each business area and function regarding risk management, and defines the Company's risk management objectives and risk management process. In order to formalize risk management across the Company and set a common level of transparency and risk management performance, the Compliance Committee will (i) monitoring the significant risks associated with the Company's business operations and its management's handling of such risks; (ii) ensuring the appropriate application of our risk management framework across the Group; and (iii) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.
- Our Internal Audit and Internal Control Department is responsible for performing assessment of our risk management system and supervising and evaluating its operations. It conducts risk assessments including the identification, prioritization, measurement and categorization of all key risks that could potentially affect the business objectives. The results of the assessment and evaluation are reported to the Audit Committee at least twice a year.

# Corporate Governance Report

- The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work. The relevant functions in our Company, including but not limited to the finance department, the legal and compliance department, the human resources department, and administration department, are responsible for developing and implementing our risk management policy and carrying out day-to-day risk management practice.
- Our Company has efficiently allocated attention and resources towards controlling legal risks in various jurisdictions and enhancing compliance operations through a series of training and projects from the perspectives of intellectual property, employment, clinical data compliance and dispute resolution. By integrating advanced legal and compliance strategies and cultivating a culture of proactive risk management, our Company has not only preempted potential issues but also reached a seamless alignment with global regulatory standards.
- To enhance our Company's data compliance, we initiated a project to thoroughly review and analyze current practices related to clinical data security and personal information protection. The "Data Security and Personal Information Protection Policy" was issued, as the general outline and guidance for data compliance work in operation, specifying the objectives, principles, responsibilities, processes and monitoring mechanisms for data compliance. Moreover, we revised important documents, such as the Statement of Employee Personal Information Protection and Non-disclosure Agreement signed with vendors, to standardize the conditions and methods for collecting, using, sharing, transferring, and disclosing personal information. This step was taken to enhance data security requirements and oversight of external suppliers. Additionally, our Company has organized data compliance training for employees to enhance their awareness and ability to data protection, fostering a culture of data compliance.

## INTERNAL CONTROL

Internal Control is embedded in our Company's risk management system. Internal Control is aimed at ensuring the Company's operations are efficient and reliable and in compliance with statutory regulations. During the Reporting Period, the Board, through the Audit Committee, has conducted an annual review of the effectiveness on the internal control system of the Company. The Board believes that existing internal control system is adequate and effective during the Reporting Period. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have established internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis. The structure of our internal control framework has been defined by using a top-down, risk-based approach. We also periodically review our compliance status with all relevant laws and regulations.
- We have established an audit committee which (i) makes recommendations to our Board on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Company.
- We have established a compliance committee that covers all business areas and functions within the Company and enables effective monitoring of different parts of the Group. The compliance committee meets at regular intervals to discuss emerging compliance risks. The compliance management system consists of anti-corruption, anti-bribery, reporting and investigation, conflicts of interest, related party transaction, protection of intellectual property, quality assurance, environment protection, occupational, health and safety, etc. We integrate the compliance awareness into employees' daily work to ensure the business is conducted in compliance and effectiveness.

# Corporate Governance Report

- We have conducted periodic trainings about these measures and procedures to our employees as part of our employee training program. To strengthen compliance awareness, we have provided our employees with employee code of conduct and disciplinary policy, as amended from time to time.
- We have engaged PRC law firms, US law firms as well as EU Data Protection Officer to advise us on and keep us abreast with PRC and all the applicable local laws and regulations on a regular basis. We will continue to arrange various trainings from time to time when necessary and/or any appropriate accredited institution to update our directors, senior management, and relevant employees on the latest PRC and applicable local laws and regulations.
- We have maintained strict anti-corruption and anti-bribery policies to promote an ethical culture with the Company, to control the operation risks and to protect the Company and its Shareholders' interests as a whole. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, and therefore be less affected by the increasingly stringent measures taken by the PRC and all the applicable governments to correct corruptive practices in the pharmaceutical industry.
- We also have a whistleblowing policy that serves the purpose of establishing whistleblowing procedures for any staff and/or external parties in any matter related to the Company, to report and escalate any suspicious misconduct or malpractice or unethical acts.

## COMPANY SECRETARY

Ms. Leung Kwan Wai of Tricor Services Limited, external service provider, has been engaged by the Company as its Company Secretary. The primary contact person at the Company, whom Ms. Leung can contact, is Ms. Wei Wang, the secretary to the Board and Vice President, Investor Relations & Capital Markets Department of the Company.

During the Review Period, Ms. Leung has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

## CONVENING OF EXTRAORDINARY GENERAL MEETINGS ("EGM") BY SHAREHOLDERS

Pursuant to article 71 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

# Corporate Governance Report

## PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

Detailed procedures for Shareholders to propose a person for election as a director of the Company are published on the Company's website.

## PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: B6-501, 218 Xinghu Street, Biobay, Suzhou 215123, China
Telephone: 0512-6707-9200
Email: ir@transcenta.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholders may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has in place a shareholders' communication policy which aims at promoting channels for shareholders to communicate their views on various matters affecting the Company and how the Company solicits and understand the views of Shareholders and stakeholders. The Board had reviewed the policy annually and considered that the implementation of the policy was effective.

The Company has used the following methods to communicate with Shareholders:

- publication of announcements, interim reports and annual reports
- publication of key corporate governance policies on the Company's website
- holding of annual general meeting and other general meetings of the Company

The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate), appropriate management executives and external auditor will use all reasonable endeavors to attend and answer enquiries from the Shareholders.

# Corporate Governance Report

To promote effective communication, the Company maintains a website at http://www.transcenta.com/, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

## CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the articles of association for further details of the rights of shareholders.

By the order of the Board
**Xueming Qian**
*Executive Director, Chairman of the Board and Chief Executive Officer*
Hong Kong
March 30, 2025

# Independent Auditor's Report

Deloitte. 德勤

**TO THE SHAREHOLDERS OF TRANSCENTA HOLDING LIMITED**
(Incorporated in the Cayman Islands with limited liability)

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Transcenta Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 178, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### *Going concern*

As set out in Note 3.1 to the consolidated financial statements, the Group incurred a net loss of RMB290,292,000 and a net operating cash outflow of RMB213,828,000 for the year ended 31 December 2024, and as of that date, the Group has net current liabilities of approximately RMB63,013,000, which consists of bank balances and cash of approximately RMB169,423,000, trade and other receivables of approximately RMB31,107,000, short-term borrowings of approximately RMB217,090,000 and trade and other payables of approximately RMB113,929,000. In addition, the Group has capital commitment of approximately RMB6,217,000 as at 31 December 2024. These events and conditions may cast significant doubt on the Group' ability to continue as going concern.

The Group has been undertaking a number of plans and measures to mitigate its liquidity pressure and to improve its financial position, which are set out in Note 3.1 to the consolidated financial statements of the Group. Whether the consolidated financial statements could be prepared on a going concern basis subject to significant uncertainties if the outcome of these plans and measures are unfavourable, including:

(i) exploring non-exclusive, royalty bearing proprietary technology platform out-licensing opportunities;

(ii) talking with various third parties to further its global development and commercialization of a major pipeline, with "licensing out" and/or "co-development" plans;

(iii) pursuing the fund raising to support further development of other pipelines;

(iv) engaging in discussion and negotiations with various parties for capital fundings;

# Independent Auditor's Report

(v) prospecting and engaging new contract development and manufacturing services customers for its services;

(vi) exploring global partnership in perfusion and fed batch culture media supply, as well as other co-development and licensing opportunities;

(vii) negotiating with various banks to secure new banking facility, in addition to renewal and extension of existing bank borrowings beyond 31 December 2024;

(viii) negotiating with the suppliers to extend the repayment dates of the overdue payables; and

(ix) implementing initiatives to align its resources more effectively and efficiently with the Group's strategic objectives to continue advancing its core products, including but not limited to, the evaluation of existing projects to prioritize essential investments in research and development and optimize the task force.

The validity of the going concern assumptions on which the consolidated financial statements of the Group have been prepared depends on the outcome of these plans and measures. The directors of the Company have taken into account the likelihood of success of the plans and measures being implemented and are of the opinion that sufficient financial resources will be available to finance the Group's operations and to meet the Group's financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Given the execution of the plans and measures by the Group are in progress and no written contractual agreements or other documentary supporting evidence from the relevant counter parties are available to the Group as at the date of approval for issuance of the consolidated financial statements of the Group for extending the going concern assessment, we are unable to obtain sufficient appropriate audit evidence we considered necessary to assess the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the appropriateness of the directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements of the Group.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets including goodwill, property, plant and equipment, intangible assets not yet ready for use and right-of-use assets to their recoverable amounts, to reclassify non-current assets as current assets, to reclassify non-current liabilities as current liabilities, or to recognize any further liabilities which might arise, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group.

The possible effects on the consolidated financial statements of undetected misstatements, if any, could be both material and pervasive.

# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Cheung, Wilfred.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
March 30, 2025

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

| | NOTES | Year ended 31 December **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **11,261** | 53,849 |
| Cost of sales | | **(7,258)** | (39,451) |
| Gross profit | | **4,003** | 14,398 |
| Other income | 7 | **23,499** | 37,312 |
| Other gains and losses, net | 8 | **(20,238)** | 2,363 |
| Research and development expenses | | **(192,055)** | (382,047) |
| Administrative and selling expenses | | **(70,513)** | (117,397) |
| Impairment losses under expected credit loss model | 21 | **(11,831)** | (1,475) |
| Impairment losses on contract costs | 22 | **(10,155)** | – |
| Share of results of a joint venture | 19 | **31** | 43 |
| Finance costs | 9 | **(13,283)** | (16,017) |
| Loss before tax | 10 | **(290,542)** | (462,820) |
| Income tax credit | 11 | **250** | 250 |
| Loss for the year | | **(290,292)** | (462,570) |
| **Other comprehensive expense for the year** | | | |
| ***Item that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising on translation of a foreign operation | | **(4,030)** | (3,100) |
| Total comprehensive expense for the year | | **(294,322)** | (465,670) |
| Loss for the year attributable to: | | | |
| – Owners of the Company | | **(290,292)** | (462,570) |
| Total comprehensive expense for the year attributable to: | | | |
| – Owners of the Company | | **(294,322)** | (465,670) |
| Loss per share | | | |
| – Basic and diluted (RMB) | 13 | **(0.72)** | (1.14) |

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2024

| | NOTES | At 31 December 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **321,101** | 388,623 |
| Intangible assets | 16 | **95,752** | 95,860 |
| Right-of-use assets | 17 | **23,206** | 44,912 |
| Goodwill | 18 | **471,901** | 471,901 |
| Interests in a joint venture | 19 | **1,293** | 1,262 |
| Deposits paid for acquisition of property, plant and equipment | | **1,938** | 5,922 |
| Value-added-tax ("VAT") recoverable | | **4,858** | – |
| Other receivables | 21 | **454** | 496 |
| Pledged bank deposits | 23 | **280** | 280 |
| | | **920,783** | 1,009,256 |
| **Current assets** | | | |
| Inventories | 20 | **16,620** | 17,907 |
| Trade and other receivables | 21 | **31,107** | 52,316 |
| Contract costs | 22 | **2,132** | 11,555 |
| VAT recoverable | | **2,512** | 6,239 |
| Pledged/restricted bank deposits | 23 | **57,700** | 50,000 |
| Bank balances and cash | 23 | **169,423** | 546,026 |
| | | **279,494** | 684,043 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **113,929** | 164,044 |
| Contract liabilities | 25 | **547** | 587 |
| Short-term borrowings | 26 | **217,090** | 376,920 |
| Lease liabilities | 27 | **2,541** | 4,741 |
| Deferred income | 28 | **8,400** | 8,000 |
| | | **342,507** | 554,292 |
| **Net current (liabilities) assets** | | **(63,013)** | 129,751 |
| **Total assets less current liabilities** | | **857,770** | 1,139,007 |

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2024

| | NOTES | At 31 December **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long-term borrowings | 26 | **16,050** | 10,500 |
| Lease liabilities | 27 | **14,926** | 17,466 |
| Deferred income | 28 | **50,300** | 58,300 |
| Deferred tax liabilities | 29 | **24,858** | 25,108 |
| | | **106,134** | 111,374 |
| **Net assets** | | **751,636** | 1,027,633 |
| **Capital and reserves** | | | |
| Share capital | 30 | **284** | 283 |
| Treasury shares | | **(2,371)** | (17) |
| Reserves | | **753,723** | 1,027,367 |
| **Total equity** | | **751,636** | 1,027,633 |

The consolidated financial statements on pages 102 to 107 were approved and authorised for issue by the board of directors on March 30, 2025 and signed on its behalf by:

**Qian Xueming**
*Director*

**Tang Jiasong**
*Director*

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Treasury shares RMB'000 | Other reserves RMB'000 (Note) | Share-based payment reserves RMB'000 | Translation reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
| At 1 January 2023 | 272 | 4,665,983 | (9) | (231,245) | 91,308 | (5,860) | (3,046,549) | 1,473,900 |
| Loss and total comprehensive expense for the year | – | – | – | – | – | (3,100) | (462,570) | (465,670) |
| Recognition of equity-settled share-based payment (Note 31) | – | – | – | – | 28,328 | – | – | 28,328 |
| Shares repurchased and cancellation of shares repurchased (Note 30) | (1) | (9,174) | 4 | – | – | – | – | (9,171) |
| Issuance of shares hold on trust (Note 30) | 12 | – | (12) | – | – | – | – | – |
| Exercise of share options | –* | 819 | – | – | (573) | – | – | 246 |
| At 31 December 2023 | 283 | 4,657,628 | (17) | (231,245) | 119,063 | (8,960) | (3,509,119) | 1,027,633 |
| Loss and total comprehensive expense for the year | **–** | **–** | **–** | **–** | **–** | **(4,030)** | **(290,292)** | **(294,322)** |
| Recognition of equity-settled share-based payment (Note 31) | **–** | **–** | **–** | **–** | **23,931** | **–** | **–** | **23,931** |
| Shares repurchased and cancellation of shares repurchased (Note 30) | **(1)** | **(3,282)** | **(2,354)** | **–** | **–** | **–** | **–** | **(5,637)** |
| Issuance of shares hold on trust (Note 30) | **2** | **–** | **(2)** | **–** | **–** | **–** | **–** | **–** |
| Exercise of share options/Vesting of restricted share units | **–*** | **41** | **2** | **–** | **(12)** | **–** | **–** | **31** |
| At 31 December 2024 | **284** | **4,654,387** | **(2,371)** | **(231,245)** | **142,982** | **(12,990)** | **(3,799,411)** | **751,636** |

Note: Other reserves include i) effect of share purchase options written to non-controlling shareholders of Suzhou Transcenta Therapeutics Co., Ltd.** ("Suzhou Transcenta") (蘇州創勝集團醫藥有限公司) and HJB (Hangzhou) Co., Ltd.** ("HJB Hangzhou") (杭州奕安濟世生物藥業有限公司) for converting their equity interests in Suzhou Transcenta and HJB Hangzhou to preferred shares of Transcenta Holding Limited in the year 2020; ii) effect of exercise of such share purchase options by these non-controlling shareholders, and iii) difference between the consideration paid and share of subsidiaries' net assets acquired from non-controlling shareholders.

* Amount is less than RMB1,000.

** English names are for identification only.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **OPERATING ACTIVITIES** | | |
| Loss before tax | **(290,542)** | (462,820) |
| Adjustments for: | | |
| Interest on borrowings | **12,494** | 15,383 |
| Interest on lease liabilities | **789** | 634 |
| Bank interest income | **(8,944)** | (15,558) |
| Share of results of a joint venture | **(31)** | (43) |
| Depreciation of property, plant and equipment | **46,716** | 47,437 |
| Depreciation of right-of-use assets | **5,635** | 6,222 |
| Amortisation of intangible assets | **108** | 132 |
| Amortisation of deferred income | **(8,000)** | (8,000) |
| Impairment losses under expected credit loss model | **11,831** | 1,475 |
| Impairment losses on contract costs | **10,155** | – |
| Net foreign exchange gain | **(5,035)** | (1,451) |
| Loss on disposal of property, plant and equipment | **25,202** | 6 |
| Gain on disposal of right-of-use assets | **(969)** | (16) |
| Share-based payment expenses | **23,931** | 28,328 |
| Operating cash flow before movements in working capital | **(176,660)** | (388,271) |
| Decrease in trade and other receivables | **11,101** | 7,007 |
| Decrease in inventories | **1,287** | 2,659 |
| (Increase) decrease in contract costs | **(29)** | 7,093 |
| Increase in VAT recoverable | **(1,131)** | (675) |
| (Decrease) increase in trade and other payables | **(48,756)** | 14,703 |
| Increase in deferred income | **400** | – |
| Decrease in contract liabilities | **(40)** | (559) |
| Cash used in operations | **(213,828)** | (358,043) |
| Income tax paid | **–** | – |
| NET CASH USED IN OPERATING ACTIVITIES | **(213,828)** | (358,043) |

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **INVESTING ACTIVITIES** | | |
| Interest received from banks | **7,263** | 25,306 |
| Proceeds from disposal of right-of-use assets | **17,040** | – |
| Purchase of and deposits paid for property, plant and equipment | **(2,322)** | (15,760) |
| Payment of rental deposits | **–** | (41) |
| Placement of pledged/restricted bank deposits | **(7,700)** | – |
| Refund of rental deposits | **–** | 329 |
| Withdrawn of pledged/restricted bank deposits | **–** | 47,636 |
| NET CASH FROM INVESTING ACTIVITIES | **14,281** | 57,470 |
| **FINANCING ACTIVITIES** | | |
| New borrowings raised | **242,490** | 414,920 |
| Repayment of borrowings | **(396,770)** | (431,100) |
| Repayments of lease liabilities | **(5,529)** | (6,289) |
| Payment on repurchase and cancellation of ordinary shares | **(5,637)** | (9,171) |
| Receipt of proceeds in connection to exercise of share options | **31** | 58 |
| Interest paid | **(12,646)** | (15,620) |
| NET CASH USED IN FINANCING ACTIVITIES | **(178,061)** | (47,202) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(377,608)** | (347,775) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTING BY BANK BALANCES AND CASH | **546,026** | 895,450 |
| Effects of exchange rate changes | **1,005** | (1,649) |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTING BY BANK BALANCES AND CASH | **169,423** | 546,026 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 1. GENERAL INFORMATION

Transcenta Holding Limited (the "Company") was incorporated in the British Virgin Islands as an exempted company with limited liability on 20 August 2010, and re-domiciled to the Cayman Islands on 26 March 2021 as an exempted company with limited liability under the laws of Cayman Islands. On 29 September 2021, the Company's shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as 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.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

### *Amendments to IFRS Accounting Standards that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements.

| | |
|---|---|
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 | Non-current Liabilities with Covenants |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

*(Continued)*

### *New and amendments to IFRS Accounting Standards in issue but not yet effective*

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments[3] |
| Amendments to IFRS 9 and IFRS 7 | Contracts Referencing Nature- dependent Electricity[3] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards – Volume 11[3] |
| Amendments to IAS 21 | Lack of Exchangeability[2] |
| IFRS 18 | Presentation and Disclosure in Financial Statements[4] |

1. Effective for annual periods beginning on or after a date to be determined.
2. Effective for annual periods beginning on or after 1 January 2025.
3. Effective for annual periods beginning on or after 1 January 2026.
4. Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of these amendments to IFRS Accounting Standards will have no material impact on the Group's consolidated financial statements in the foreseeable future.

### *IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements, but have no material impact on the Group's financial position and performance. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### *3.1 Basis of preparation of consolidated financial statements*

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

*Going concern assessment*

The Group incurred a net loss of RMB290,292,000 and a net operating cash outflow of RMB213,828,000 for the year ended 31 December 2024, and as of that date, the Group has net current liabilities of approximately RMB63,013,000, which consists of bank balances and cash of approximately RMB169,423,000, trade and other receivables of approximately RMB31,107,000, short-term borrowings of approximately RMB217,090,000 and trade and other payables of approximately RMB113,929,000. In addition, the Group has capital commitment of approximately RMB6,217,000 as at 31 December 2024.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and the financial position of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has taken plans and measures to mitigate its liquidity pressure and to improve its financial position, including:

(i) The Group has been actively exploring non-exclusive, royalty bearing proprietary technology platform out-licensing opportunities, and has signed a non-legal binding term sheet in March 2025 for collaboration with a partner;

(ii) The Group has been actively in talks with various third parties to further its global development and commercialization of a major pipeline, with "licensing out" and/or "co-development" plans;

(iii) The Group has been actively pursuing the fund raising to support further development of other pipelines;

(iv) The Group has engaged in discussion and negotiations with various parties for capital fundings;

(v) The Group has been actively prospecting and engaging new contract development and manufacturing ("CDMO") services customers for its services;

(vi) The Group has been exploring global partnership in perfusion and fed batch culture media supply, as well as other co-development and licensing opportunities;

(vii) The Group has been actively negotiating with various banks to secure new banking facility, in addition to renewal and extension of existing bank borrowings beyond 31 December 2024;

(viii) The Group will also continue to actively negotiate with the suppliers to extend the repayment dates of the overdue payables; and

(ix) The Group has been implementing initiatives to align its resources more effectively and efficiently with the Group's strategic objectives to continue advancing its core products, including but not limited to, the evaluation of existing projects to prioritize essential investments in research and development and optimize the task force.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.1 Basis of preparation of consolidated financial statements (Continued)*

*Going concern assessment (Continued)*

The directors of the Company have reviewed the Group's cashflow projection prepared by management, which cover a period of not less than twelve months from 31 December 2024. They are of the opinion that, taking into account the above-mentioned plans and measures, the liquidity needs of the Group will be managed and the financial position of the Group will be improved. Also, the Group will have sufficient financial resources to finance its operations and meet its financial obligations when they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Thus, the directors of the Company continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group is able to implement the aforementioned plans and measures and continue as a going concern which depend upon the Group's ability to generate adequate cash flows through the following: (i) successfully exploring non-exclusive, royalty bearing proprietary technology platform out-licensing opportunities; (ii) successfully talking with various third parties to further its global development and commercialization of a major pipeline, with "licensing out" and/or "co-development" plans; (iii) successfully pursuing the fund raising to support further development of other pipelines in a timely manner; (iv) successfully obtaining capital fundings in a timely manner; (v) successfully prospecting and engaging new CDMO services customers for its services; (vi) successfully exploring global partnership in perfusion and fed batch culture media supply, as well as other co-development and licensing opportunities; (vii) successfully securing new banking facility, renewing and extending of existing bank borrowings in a timely manner; (viii) successfully extending the repayment dates of the overdue payables; and (ix) successfully implementing initiatives to align its resources more effectively and efficiently and optimizing the task force.

Should the Group fail to achieve a combination of the above-mentioned plans and measures, it might not be appropriate for the directors of the Company to prepare the consolidated financial statements on a going concern basis. Potential adjustments would have to be made to the reported financial information including but not limited to reduce the carrying values of the Group's assets to their realisation amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information*

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

*Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash generating units).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Revenue from contracts with customers*

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 5, 21, 22 and 25.

*Leases*

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee**

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Leases (Continued)*

**The Group as a lessee** *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments were all the fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserves.

*Borrowing costs*

All borrowing costs are recognized in profit or loss in the period in which there are incurred.

*Government grants*

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Employee benefits*

**Retirement benefit costs**

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

A subsidiary in the United States of America (the "USA") adopted a qualified defined contribution plan covering all its eligible employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees become eligible to participate in the plan on the first of the calendar month following the date the employee meets the eligibility requirements as defined. As defined by the plan, participants may contribute up to United States dollar ("US$") 22,500 of pretax annual compensation. Participants who reach age 50 may elect to make catch-up contributions US$7,500. The subsidiary contributes matching contribution of 3% of each eligible participant's compensation.

**Termination benefits**

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

**Short-term employee benefits**

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

*Equity-settled share-based payment transactions*

**Shares/Share options granted to employees**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Equity-settled share-based payment transactions (Continued)*

**Shares/Share options granted to employees** *(Continued)*

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserves. For shares/share options that vest immediately at the date of grant, the fair value of the share/share options granted is expensed immediately to profit or loss.

When share options are exercised or the restricted ordinary shares are vested, the amount previously recognized in share-based payment reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to accumulated losses.

**Modification to the terms and conditions of the share-based payment arrangements**

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

*Taxation*

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each liabilities for reporting period.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Taxation (Continued)*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Taxation (Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*Property, plant and equipment*

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Intangible assets*

**Intangible assets acquired separately**

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives when the assets are available for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Internally – generated intangible assets-research and development expenditure**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination that are not yet ready for use are reported at costs less any impairment losses.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Intangible assets (Continued)*

**Intangible assets acquired in a business combination** *(Continued)*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

*Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite useful lives, right-of-use assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that may be impaired.

The recoverable amount of property, plant and equipment, intangible assets, right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15 *Revenue from Contracts with Customers*, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

*Cash and cash equivalents*

Bank balances and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sales and non-incremental costs which the Group must incur to make the sale.

*Financial instruments*

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Financial instruments (Continued)*

**Financial assets** *(Continued)*

Amortised cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, bank balances and cash, pledged/restricted bank deposits) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on trade receivables is assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Financial instruments (Continued)*

**Financial assets** *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Financial instruments (Continued)*

**Financial assets** *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Financial instruments (Continued)*

**Financial assets** *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognized through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses, net' line item (Note 8) as part of the net foreign exchange gain.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Financial instruments (Continued)*

**Financial liabilities and equity**

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities held by the Group are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses, net' line item in profit or loss (Note 8) as part of the net foreign exchange gain.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### *3.2 Material accounting policy information (Continued)*

*Financial instruments (Continued)*

**Financial liabilities and equity** *(Continued)*

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

*Research and development expenses*

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the year ended 31 December 2024, all research and development costs are expensed when incurred.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### *Key sources of estimation uncertainty*

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, is described below.

*Estimated impairment of goodwill, property, plant and equipment, intangible assets not yet ready for use and right-of-use assets*

Determining whether goodwill, property, plant and equipment, intangible assets not yet ready for use and right-of-use assets is impaired requires an estimation of recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated or the property, plant and equipment, intangible assets not yet ready for use and right-of-use assets belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

The carrying amounts of goodwill, property, plant and equipment, intangible assets not yet ready for use and right-of-use assets amounted to RMB471,901,000, RMB321,101,000, RMB95,433,000 and RMB23,206,000 as of 31 December 2024, respectively (2023: RMB471,901,000, RMB388,623,000, RMB95,433,000 and RMB44,912,000). No impairment loss is recognised for the year ended 31 December 2024 (2023: nil). Details of the recoverable amount calculation of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated or the property, plant and equipment, intangible assets not yet ready for use and right-of-use assets belong are disclosed in Note 18 and Note 16.

*Provision of ECL for trade receivables*

The Group categorizes its customers to recognise lifetime ECL for the trade receivables based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 21 and Note 35.

*Impairment on contract costs*

At the end of the reporting period, the Group reviews the carrying amounts of contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the contract costs is estimated in order to determine the extent of the impairment loss. The Group has not identified any other related assets requiring impairment in connection with the relevant contracts.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 5. REVENUE

The Group provides CDMO services and research and development services. CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage. The research and development services are mainly for investigational new drug enabling studies based on customers' needs.

The Group primarily earns revenues by providing CDMO services and research and development services to its customers through fee-for-service ("FFS") contracts. Contract duration is generally a few months to two years. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

The Group's service contracts normally include payment schedules which require stage payments over the service period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 50% of total contract sum as part of its credit risk management policies; this will give rise to contract liabilities at the start of a contract until the deliverable units have been delivered and accepted by the customer. The typical credit term is 30 to 90 days upon meeting specified delivery milestones.

Disaggregated revenue information:

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| CDMO services | **9,024** | 53,849 |
| Research and development services | **2,237** | – |
| | **11,261** | 53,849 |

### *Transaction price allocated to the remaining performance obligation for contracts with customers*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and the expected timing of recognizing revenue are as follows:

| | **CDMO services** | **Research and development services** |
|---|---|---|
| | **RMB'000** | **RMB'000** |
| Within one year | **4,457** | **–** |
| More than one year | **853** | **–** |
| | **5,310** | **–** |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 5. REVENUE *(Continued)*

### *Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognizing revenue are as follows:

| | CDMO services RMB'000 | Research and development services RMB'000 |
|---|---|---|
| Within one year | 19,123 | – |
| More than one year | 2,652 | – |
| | 21,775 | – |

## 6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components' of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the year, the CODM assesses the operating performance and allocated the resources of the Group as a whole as the Group is primarily engaged in the discovering, developing, manufacturing and commercializing novel drugs. Therefore, the CODM considers the Group has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3 and no further analysis of the single segment is presented.

### *Geographical information*

The Group's operations are located in the People's Republic of China (the "PRC") and the USA.

All the Group's revenue from external customers is mainly derived from the PRC. As at 31 December 2024, all non-current assets are located in the PRC.

### *Information about major customers*

Revenue from customers contributing over 10% of the total revenue of the Group during the corresponding years are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 |
| Customer A | **2,809** | 9,701 |
| Customer B | **1,983** | N/A |
| Customer C | **1,887** | – |
| Customer D | **–** | 20,889 |

*N/A: not disclosed as amounts less than 10% of total revenue*

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 7. OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Bank interest income | **8,944** | 15,558 |
| Government grants (note) | **14,272** | 21,136 |
| Others | **283** | 618 |
| | **23,499** | 37,312 |

Note: The amount represents 1) various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received; and 2) amortization of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

## 8. OTHER GAINS AND LOSSES, NET

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Net foreign exchange gain | **3,995** | 2,353 |
| Loss on disposal of property, plant and equipment | **(25,202)** | (6) |
| Gain on disposal of right-of-use assets | **969** | 16 |
| | **(20,238)** | 2,363 |

## 9. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Interest expenses on borrowings | **12,494** | 15,383 |
| Interest expenses on lease liabilities | **789** | 634 |
| | **13,283** | 16,017 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 10. LOSS BEFORE TAX

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Loss before tax for the year has been arrived at after charging (crediting): | | |
| Selling expenses (included in administrative and selling expenses) | **1,707** | 2,948 |
| Depreciation of property, plant and equipment | **47,419** | 48,856 |
| Amortisation of intangible assets | **108** | 136 |
| Depreciation of right-of-use assets | **5,635** | 6,408 |
| | **53,162** | 55,400 |
| Capitalised in the ending balance of contract costs | **(703)** | (1,012) |
| Capitalised in construction in progress | **–** | (597) |
| | **52,459** | 53,791 |
| Auditors' remuneration | **1,648** | 2,185 |
| Directors' emoluments (Note 12(a)): | | |
| – salaries and other benefits | **3,539** | 8,687 |
| – retirement benefit scheme contributions | **167** | 375 |
| – share-based payments (note) | **2,394** | 15,338 |
| | **6,100** | 24,400 |
| Other staff costs: | | |
| – salaries and other benefits | **69,642** | 101,285 |
| – retirement benefit scheme contributions | **20,756** | 26,622 |
| – share-based payments (note) | **21,537** | 12,990 |
| – termination benefits | **524** | 8,553 |
| | **118,559** | 173,850 |
| Capitalised in the ending balance of contract costs | **(774)** | (1,873) |
| | **117,785** | 171,977 |

Note: Share-based payments amounting to RMB13,952,000 (2023: RMB9,513,000) and RMB9,979,000 (2023: RMB18,815,000) are included in the research and development expenses and administrative and selling expenses, respectively, for the year ended 31 December 2024.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 11. INCOME TAX CREDIT

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Current tax: | | |
| PRC Enterprise Income Tax | **–** | – |
| Deferred tax (Note 29) | **250** | 250 |
| | **250** | 250 |

The Company was incorporated in the BVI and re-domiciled to the Cayman Islands and is exempted from income tax.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

On 1 December 2020 and 8 December 2023, HJB Hangzhou qualified as a High and New Tech Enterprise recognized by the Ministry of Science and Technology and enjoys a preferential tax rate of 15% for a period of three years starting from 2020 and 2023, respectively.

On 6 November 2023, Suzhou Transcenta qualified as a High and New Tech Enterprise recognized by the Ministry of Science and Technology and enjoys a preferential tax rate of 15% for a period of three years starting from 2023.

Transcenta Therapeutics (Shanghai) Co., Ltd.* (創勝生物醫藥(上海)有限公司) and Transcenta Therapeutics (Hangzhou) Co., Ltd.* (創勝生物醫藥(杭州)有限公司) were small and low-profit enterprises, and in accordance with the Announcement on the Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No.6 [2023] of the Ministry of Finance and the State Taxation Administration), from 1 January 2023 to 31 December 2024, the annual taxable income of a small and low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

* *English names are for identification only.*

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 11. INCOME TAX CREDIT *(Continued)*

The tax credit for the years can be reconciled to the loss per the consolidated statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Loss before tax | **(290,542)** | (462,820) |
| Income tax credit calculated at 25% | **(72,635)** | (115,705) |
| Tax effect of share of results of a joint venture | **(8)** | (11) |
| Tax effect of expenses that are not deductible for tax purpose | **3,832** | 27,914 |
| Tax effect of additional deductible research and development expenses (note) | **(33,426)** | (65,110) |
| Utilization of tax losses previously not recognized | **(77)** | – |
| Tax effect of tax losses not recognized | **69,389** | 107,644 |
| Utilisation of deductible temporary differences previously not recognised | **(14,560)** | – |
| Tax effect of deductible temporary differences not recognized | **9,788** | 667 |
| Income tax effect at concessionary rate | **37,447** | 44,351 |
| Income tax credit | **(250)** | (250) |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 11. INCOME TAX CREDIT *(Continued)*

At 31 December 2024, the Group has unused tax losses of approximately RMB2,908,149,000 (2023: RMB2,633,460,000). At 31 December 2024, the Group has deductible temporary differences of approximately RMB41,310,000 (2023: RMB60,398,000). Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| 2024 | **–** | 2,867 |
| 2025 | **7,040** | 7,040 |
| 2026 | **43,731** | 43,731 |
| 2027 | **181,619** | 181,619 |
| 2028 | **361,190** | 361,190 |
| 2029 | **413,935** | 410,451 |
| 2030 | **249,396** | 249,396 |
| 2031 | **495,104** | 495,104 |
| 2032 | **455,196** | 455,196 |
| 2033 | **352,842** | 352,842 |
| 2034 | **227,352** | – |
| 2035 and onwards | **120,744** | 74,024 |
| | **2,908,149** | 2,633,460 |

Note: Pursuant to Caishui [2023] circular No. 7 and Caishui [2018] circular No. 99, the subsidiaries in the PRC enjoy super deduction of 200% (2023: 200%) on qualifying research and development expenditures for the year ended 31 December 2024.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company during both years are as follows:

### *(a) Executive and non-executive directors*

| | Date of appointment | Director's fee RMB'000 | Salaries and other Benefits RMB'000 | Retirement benefit scheme contributions RMB'000 | Discretionary bonus RMB'000 (note iv) | Share-based payments RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2024** | | | | | | | |
| *Executive directors:* | | | | | | | |
| Dr. Xueming Qian (chief executive officer) ("Dr. Qian") | August 2010 | **569** | **499** | **63** | **15** | **894** | **2,040** |
| Mr. Xiaolu Weng (note vii) | 21 March 2022 | **–** | **1,019** | **39** | **–** | **309** | **1,367** |
| | | **569** | **1,518** | **102** | **15** | **1,203** | **3,407** |
| *Non-executive directors:* | | | | | | | |
| Dr. Yining Zhao ("Dr. Zhao") (note viii) | 31 March 2021 | **–** | **–** | **12** | **–** | **555** | **567** |
| Dr. Li Xu | 28 August 2024 | **68** | **569** | **53** | **–** | **527** | **1,217** |
| | | **68** | **569** | **65** | **–** | **1,082** | **1,784** |
| *Independent non-executive directors:* | | | | | | | |
| Mr. Jiasong Tang | 14 September 2021 | **200** | **–** | **–** | **–** | **26** | **226** |
| Mr. Zhihua Zhang | 14 September 2021 | **200** | **–** | **–** | **–** | **26** | **226** |
| Dr. Kumar Srinivasan (note vi) | 19 December 2022 | **200** | **–** | **–** | **–** | **20** | **220** |
| Ms. Wei Chen | 23 October 2023 | **200** | **–** | **–** | **–** | **37** | **237** |
| | | **800** | **–** | **–** | **–** | **109** | **909** |
| | | **1,437** | **2,087** | **167** | **15** | **2,394** | **6,100** |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

### *(a) Executive and non-executive directors (Continued)*

| | Date of appointment | Director's fee RMB'000 | Salaries and other Benefits RMB'000 | Retirement benefit scheme contributions RMB'000 | Discretionary bonus RMB'000 (note iv) | Share-based payments RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2023** | | | | | | | |
| *Executive directors:* | | | | | | | |
| Dr. Qian | August 2010 | **1,680** | **1,129** | **236** | **216** | **2,301** | **5,562** |
| Mr. Xiaolu Weng (note vii) | 21 March 2022 | **–** | **3,009** | **113** | **350** | **4,848** | **8,320** |
| | | **1,680** | **4,138** | **349** | **566** | **7,149** | **13,882** |
| *Non-executive directors:* | | | | | | | |
| Dr. Zhao (note viii) | 31 March 2021 | **700** | **621** | **26** | **110** | **8,135** | **9,592** |
| *Independent non-executive directors:* | | | | | | | |
| Mr. Jiasong Tang | 14 September 2021 | **200** | **–** | **–** | **–** | **19** | **219** |
| Dr. Jun Bao (note v) | 14 September 2021 | **200** | **–** | **–** | **–** | **(10)** | **190** |
| Mr. Zhihua Zhang | 14 September 2021 | **200** | **–** | **–** | **–** | **19** | **219** |
| Dr. Kumar Srinivasan (note vi) | 19 December 2022 | **200** | **–** | **–** | **–** | **26** | **226** |
| Ms. Wei Chen | 23 October 2023 | **72** | **–** | **–** | **–** | **–** | **72** |
| | | **872** | **–** | **–** | **–** | **54** | **926** |
| | | **3,252** | **4,759** | **375** | **676** | **15,338** | **24,400** |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

### *(a) Executive and non-executive directors (Continued)*

Notes:

i None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the years.

ii During the years, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

iii The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company. The non-executive director's and the independent non-executive director's emoluments shown above were for their services of the Company.

iv The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

v Dr. Jun Bao was an independent non-executive director of the Company until 23 August 2023 on which day he resigned.

vi Dr. Kumar Srinivasan was a non-executive director of the Company until 9 June 2023 on which date he was redesignated as independent non-executive director of the Company.

vii Mr. Xiaolu Weng resigned as an executive director on 30 April 2024. Only the emoluments before his resignation are included in directors' emoluments.

viii Dr. Zhao resigned as chairman of the Board and non-executive director on 7 June 2024. Only the emoluments before his resignation are included in directors' emoluments.

### *(b) Five Highest Paid Employees*

The five highest paid individuals of the Group during the year included 2 (2023: 3) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining 3 (2023: 2) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Salaries and other benefits | **6,512** | 5,912 |
| Discretionary bonus (note) | **–** | 155 |
| Retirement benefit scheme contributions | **624** | 494 |
| Share-based payments | **4,342** | 3,774 |
| | **11,478** | 10,335 |

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

### *(b) Five Highest Paid Employees (Continued)*

The emoluments of the five highest paid employees are within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **No. of employees** | No. of employees |
| HKD2,000,001 to HKD2,500,000 | **1** | – |
| HKD3,000,001 to HKD3,500,000 | **1** | – |
| HKD3,500,001 to HKD4,000,000 | **1** | – |
| HKD4,000,001 to HKD4,500,000 | **–** | 1 |
| HKD4,500,001 to HKD5,000,000 | **2** | – |
| HKD6,000,001 to HKD6,500,000 | **–** | 1 |
| HKD7,000,001 to HKD7,500,000 | **–** | 1 |
| HKD9,000,001 to HKD9,500,000 | **–** | 1 |
| HKD10,500,001 to HKD11,000,000 | **–** | 1 |
| | **5** | 5 |

During the year, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share | **(290,292)** | (462,570) |

### *Number of shares*

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | **404,790,614** | 407,032,399 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 13. LOSS PER SHARE *(Continued)*

### *Number of shares (Continued)*

The weighted average number of shares for the year shown above has been arrived after deducting treasury shares as set out in Note 30.

Diluted loss per share is calculated by adjusting weighted average number of ordinary shares outstanding assuming conversion of all dilutive ordinary shares. The computation of diluted loss per share did not assume the exercise of share options before expiration since their assumed exercise would result in a decrease in loss per share.

## 14. DIVIDENDS

No dividend was paid or declared by the Company for ordinary shareholders of the Company during 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Leasehold improvements | Machinery | Motor vehicles | Furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **COST** | | | | | | | |
| At 1 January 2023 | 174,942 | 7,151 | 415,566 | 303 | 2,776 | 18,553 | 619,291 |
| Additions | – | – | 690 | – | 221 | 17,582 | 18,493 |
| Transfers | 3,923 | – | 7,578 | – | 15 | (11,516) | – |
| Disposals | – | (692) | (7,080) | – | (5) | – | (7,777) |
| At 31 December 2023 | 178,865 | 6,459 | 416,754 | 303 | 3,007 | 24,619 | 630,007 |
| Additions | – | – | – | – | – | 5,099 | 5,099 |
| Transfers | – | – | 1,583 | – | – | (1,583) | – |
| Disposals | – | – | (2) | – | – | (25,202) | (25,204) |
| At 31 December 2024 | 178,865 | 6,459 | 418,335 | 303 | 3,007 | 2,933 | 609,902 |
| **DEPRECIATION** | | | | | | | |
| At 1 January 2023 | 31,113 | 5,538 | 161,026 | 288 | 2,334 | – | 200,299 |
| Provided for the year | 8,381 | 790 | 39,469 | – | 216 | – | 48,856 |
| Eliminated on disposals | – | (692) | (7,074) | – | (5) | – | (7,771) |
| At 31 December 2023 | 39,494 | 5,636 | 193,421 | 288 | 2,545 | – | 241,384 |
| Provided for the year | 8,982 | 596 | 37,692 | – | 149 | – | 47,419 |
| Eliminated on disposals | – | – | (2) | – | – | – | (2) |
| At 31 December 2024 | 48,476 | 6,232 | 231,111 | 288 | 2,694 | – | 288,801 |
| **CARRYING AMOUNT** | | | | | | | |
| At 31 December 2023 | 139,371 | 823 | 223,333 | 15 | 462 | 24,619 | 388,623 |
| At 31 December 2024 | 130,389 | 227 | 187,224 | 15 | 313 | 2,933 | 321,101 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

| | |
|---|---|
| Buildings | 20 years |
| Leasehold improvements | Over the shorter of the relevant lease terms or 5 years |
| Machinery | 3-10 years |
| Motor vehicles | 4 years |
| Furniture and fixtures | 5 years |

As at the end of the reporting period, none of the machinery (2023: nil) was pledged to banks to secure the borrowings as disclosed in Note 26.

## 16. INTANGIBLE ASSETS

| | Software<br>RMB'000 | IPR&D<br>RMB'000 | In-licenses<br>RMB'000<br>(note i) | Total<br>RMB'000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2023, 31 December 2023 and 2024 | 3,131 | 51,656 | 95,433 | 150,220 |
| **AMORTISATION AND IMPAIRMENT** | | | | |
| At 1 January 2023 | 2,568 | 51,656 | – | 54,224 |
| Provided for the year | 136 | – | – | 136 |
| At 31 December 2023 | 2,704 | 51,656 | – | 54,360 |
| Provided for the year | 108 | – | – | 108 |
| At 31 December 2024 | 2,812 | 51,656 | – | 54,468 |
| **CARRYING AMOUNT** | | | | |
| At 31 December 2023 | 427 | – | 95,433 | 95,860 |
| At 31 December 2024 | 319 | – | 95,433 | 95,752 |

The above intangible assets other than in-licenses and in process research and development project ("IPR&D") and in-licenses are amortised on a straight-line basis over the following periods:

| | |
|---|---|
| Software | 2-3 years |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 16. INTANGIBLE ASSETS *(Continued)*

### *(i) Licensing Agreement with Eli Lilly and Company ("Lilly")*

In March 2019, HJB Hangzhou, a subsidiary of the Company, entered into a license agreement with Lilly with respect to certain technology, patent rights and proprietary materials related to certain compounds.

Under the terms of the agreement, the total upfront fee was comprised of non-refundable cash consideration of US$10,000,000 (equivalent to RMB67,531,000) and a non-cash consideration satisfied by the Company issuing certain number of preferred shares worthy of US$4,000,000. The total number of Series B-5 preferred shares issued by the Company to Lilly as a result was 2,797,514. As at 31 December 2024, the Group capitalized a total amount of RMB95,433,000 (equivalent to US$14,000,000) (2023: RMB95,433,000 (equivalent to US$14,000,000)) as an intangible asset. The Group also agreed to pay Lilly clinical development milestone payments up to US$21 million, commercial milestone payments up to US$8.5 million, as well as tiered royalties on sales of each licensed product.

*Impairment test*

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. The annual impairment test was performed for the drug by engaging an independent qualified professional valuer to estimate value in use as the recoverable amount of the drug. The value in use is estimated using discount cash flow approach.

With the assistance of Anderson Management Consulting (Shanghai) Co., Ltd., which is an external appraiser, management determined the recoverable amount of the intangible assets based on the following approach and the key assumptions:

- The cash flow projections are made based on financial budgets prepared by management till year 2038 (2023: 2038) based on the timing of clinical development and regulatory approval. The intangible asset will generate cash inflows starting from year 2030 (2023: 2029), commercial ramp up to reach expected peak revenue potential till year 2038 (2023: 2038), and up to the end of the exclusivity for the product. The management considers the length forecast period is appropriate because generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 16. INTANGIBLE ASSETS *(Continued)*

### *(i) Licensing Agreement with Eli Lilly and Company ("Lilly") (Continued)*

*Impairment test (Continued)*

The key assumptions used for value in use calculation as at the end of the reporting period are as follows:

| | As at 31 December | |
|---|---|---|
| | **2024** | 2023 |
| Pre-tax discount rate | **18.0%** | 18.3% |
| Expected annual growth rates till 2038*(note)* | **0.3%-211.8%** | 13.2%-263.3% |
| Expected market penetration rate | **0.5%-8.9%** | 0.5%-11.3% |
| Expected success rate of commercialization | **38%** | 38% |

Note: The compound growth rates calculated based on the expected annual growth rates from 2030 to 2038 were 28% (2023: 2029 to 2038 were 47%) as at the end of the reporting period.

Based on the result of impairment assessment, there was no impairment as at 31 December 2024 (2023: nil).

*Impairment test – sensitivity*

The Company performed sensitivity test by increasing 1% of discount rate or decreasing of 1% revenue compound growth rate, which are the key assumptions determine the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

| | As at 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Headroom | **22,709** | 37,306 |
| Impact by increasing discount rate | **(5,057)** | (9,021) |
| Impact by decreasing revenue compound growth rate | **(4,713)** | (20,332) |

Considering there was still sufficient headroom based on the assessment, the management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 17. RIGHT-OF-USE ASSETS

| | Leasehold lands RMB'000 | Leased properties RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 31 December 2023** | | | |
| Carrying Amount | 23,387 | 21,525 | 44,912 |
| **As at 31 December 2024** | | | |
| Carrying Amount | **6,650** | **16,556** | **23,206** |
| **For the year ended 31 December 2023** | | | |
| Depreciation charge for the year | 478 | 5,930 | 6,408 |
| **For the year ended 31 December 2024** | | | |
| Depreciation charge for the year | **666** | **4,969** | **5,635** |

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Total cash outflow for leases | **5,529** | 6,289 |
| Additions to right-of-use assets | **–** | 20,002 |

For both years, the Group leases various pieces of lands and various properties for its operations. Lease contracts are entered into for fixed term of approximately 3 years to 45 years (2023: 2 years to 45 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. During year 2024, the Group has decided to give up the land use right of RMB16,071,000 back to the government, together with the construction in progress on it, which has caused loss on the disposal of property, plant and equipment and right-of-use assets of RMB24,233,000.

### *Restrictions or covenants on leases*

As at 31 December 2024, lease liabilities of RMB17,467,000 (2023: RMB22,207,000) are recognized with related right-of-use assets of RMB16,556,000 (2023: RMB21,525,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 18. GOODWILL

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Carrying amount | **471,901** | 471,901 |

The goodwill arose from acquisition of Perfusion Biologics Co., Limited (formerly known as "Just Biotherapeutics Asia Inc.") ("Just Cayman") in 2019. The goodwill is not be deductible for tax purpose.

### *Impairment test*

Goodwill arising from the business combination is allocated to a group of cash-generating units that are expected to benefit from the synergies of such business combination for the purpose of impairment testing.

*For the year ended 31 December 2024*

Impairment review on the goodwill of the Group has been conducted by management of the Company with reference to a report from Anderson Management Consulting (Shanghai) Co., Ltd., which is an independent qualified professional valuer. For the purpose of impairment review, the recoverable amount of the group of cash-generating units is determined based on value-in-use calculations.

With the assistance of an external appraiser, management determined the recoverable amount of the goodwill based on the following approach and the key assumptions:

- The cash flow projections are made based on financial budgets prepared by management till year 2039 based on the timing of clinical development and regulatory approval of relevant products. Cash flows beyond year 2039 are extrapolated using the estimated terminal growth rate at 2.5%. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when the related products are still under clinical trial. Hence, the management believes that a forecast period for the cash generating units longer than five years is justifiable and consistent with industry practice;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 18. GOODWILL *(Continued)*

### *Impairment test (Continued)*

*For the year ended 31 December 2024 (Continued)*

The key parameters used for value-in-use calculations are as follows:

| | At 31 December 2024 |
|---|---|
| Pre-tax discount rate | **17.5%** |
| Expected annual growth rates till 2039 (note) | **–1.6%-296.6%** |
| Expected market penetration rate | **0.4%-24.4%** |
| Expected success rate of commercialization | **33.0%-38.0%** |

Note: The compound growth rates calculated based on the expected annual growth rates till 2039 were 29% as at 31 December 2024.

The revenue growth rate for the forecast period and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which the Group operates.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at 31 December 2024. Thus, no impairment is recognised.

**Sensitivity**

The Group performs the sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue compound growth rate, which are the key assumptions determine the recoverable amount of the goodwill, with all other variables held constant. The impacts on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

| | At 31 December 2024 RMB'000 |
|---|---|
| Headroom | **277,987** |
| Impact by increasing discount rate | **(54,122)** |
| Impact by decreasing revenue compound growth rate | **(49,212)** |

Considering there was still sufficient headroom based on the assessment, the management believes that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

*For the year ended 31 December 2023*

Impairment review on the goodwill of the Group has been conducted by management of the Company based on fair value less estimated cost to disposal.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at 31 December 2023. Thus, no impairment is noted.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 19. INTERESTS IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follow:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Cost of investment in a joint venture | **500** | 500 |
| Other adjustments (note) | **26,816** | 26,816 |
| Accumulated share of loss and other comprehensive expenses | **(26,023)** | (26,054) |
| | **1,293** | 1,262 |

In November 2020, Suzhou Transcenta Therapeutics Co., Ltd. (formerly known as Mabspace Biosciences (Suzhou) Co., Ltd), a wholly-owned subsidiary of the Company, and Alebund Pharmaceuticals, an independent third party entered into a framework agreement to set up Lisheng, a joint venture, to co-develop pipeline TST004. In accordance with the framework agreement, Mabspace Suzhou shall pay RMB500,000 as investment cost in Lisheng which represents the entire ownership interest of Lisheng initially. Alebund Pharmaceuticals shall then contribute a total of RMB60,837,000 (equivalent to approximately US$9,000,000) into Lisheng in five instalments subject to the achievement of certain research and development milestones as stipulated in the framework agreement.Upon the entire amount being contributed by Alebund Pharmaceuticals, the ownership interest in Lisheng will eventually be owned as 50% by Mabspace Suzhou and 50% by Alebund Pharmaceuticals. As part of the framework agreement, an ancillary collaboration and licensing agreement (the "Agreement") were entered into between Mabspace Suzhou, Alebund Pharmaceuticals and Lisheng in December 2020 pursuant to which Mabspace Suzhou shall out-license an irrevocable, permanent, exclusive and sub-licensable license to research, develop, commercialize, use, import, commit to sell, export and sell a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, in Greater China to Lisheng.

As of 31 December 2024 and 31 December 2023, the proportion of Suzhou Transcenta Therapeutics Co., Ltd. paid-up registered capital was 55.56%. However, Suzhou Transcenta Therapeutics Co., Ltd. was not in a position to control the joint venture. According to the framework agreement, the ultimate and sole purpose of the establishment of the joint venture is the research and development of TST004. In addition, the framework agreement stipulates that the company's business plan needs to be implemented in accordance with the Development Plan and Budget, which should be mutual approved by joint shareholders. At this time, in essence, Suzhou Transcenta Therapeutics Co., Ltd. and Alebund Pharmaceuticals, jointly controlled the joint venture.

Note: Other adjustments represents the differences between the Group's share of contribution made by Alebund Pharmaceuticals amounting to RMB27,038,000 and the Group's carrying amount of the deemed disposed interests amounting to RMB222,000.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 19. INTERESTS IN A JOINT VENTURE *(Continued)*

Details of the Group's joint venture at the end of each reporting period are as follows:

| Name of entity | Country of Incorporation registration and nature of the legal entity | Principal place of business | Proportion of Ownership Interest held by the Group | | Proportion of voting rights held by the Group | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | **At 31 December 2024** | At 31 December 2023 | **At 31 December 2024** | At 31 December 2023 | |
| Lisheng | The PRC Limited liability company | The PRC | **55.56%** | 55.56% | **55.56%** | 55.56% | Research, development and commercialization of innovation therapies |

### *Summarised financial information of the joint venture*

Summarised financial information in respect of the Group's the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS Accounting Standards.

The joint venture is accounted for using the equity method in the consolidated financial statements.

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Current assets | **6,746** | 6,641 |
| Non-current assets | **60,643** | 60,692 |
| Current liabilities | **4,720** | 4,720 |
| The above amounts of assets include the following: Cash and cash equivalents | **6,746** | 6,641 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 19. INTERESTS IN A JOINT VENTURE *(Continued)*

### *Summarised financial information of the joint venture (Continued)*

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Research and development expenses | **(53)** | (129) |
| Profit and total comprehensive income for the year | **56** | 77 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Net assets of Lisheng | **62,669** | 62,613 |
| Proportion of the Group's ownership interest in Lisheng | **55.56%** | 55.56% |
| | **34,819** | 34,788 |
| Elimination (note) | **(33,526)** | (33,526) |
| Carrying amount of the Group's interest in Lisheng | **1,293** | 1,262 |

Note: The amount represents the unrealized gain from the out-license of TST004 by the Group to Lisheng.

## 20. INVENTORIES

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Raw materials | **16,620** | 17,907 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 21. TRADE AND OTHER RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **31,376** | 38,856 |
| Less: Allowance for credit losses | **(13,031)** | (1,200) |
| Trade receivables, net of allowance for credit losses | **18,345** | 37,656 |
| Interest receivables | **3,949** | 2,268 |
| Prepayments for: | | |
| Research and development services | **4,570** | 8,028 |
| Legal and professional services | **1,830** | 2,182 |
| Purchase of raw materials | **1,128** | 1,074 |
| | **7,528** | 11,284 |
| Other receivables | | |
| Refundable rental deposits | **1,419** | 1,419 |
| Others | **595** | 460 |
| | **2,014** | 1,879 |
| Less: Allowance for credit losses | **(275)** | (275) |
| Other receivables, net of allowance for credit losses | **1,739** | 1,604 |
| Total | **31,561** | 52,812 |
| Analyzed as: | | |
| Non-current | **454** | 496 |
| Current | **31,107** | 52,316 |
| | **31,561** | 52,812 |

The Group normally grants a credit period of 30-90 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 21. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Within 30 days | **621** | 8,191 |
| 31 – 60 days | **223** | 314 |
| 61 – 90 days | **186** | 4 |
| 91 – 120 days | **32** | 361 |
| 121 – 365 days | **212** | 11,140 |
| Above 365 days | **17,071** | 17,646 |
| | **18,345** | 37,656 |

Analysis of trade and other receivables of the Group denominated in currencies other than the functional currency of the relevant group entities is set out below:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| US$ | **765** | 1,182 |

## 22. CONTRACT COSTS

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Costs to fulfill contracts | **2,132** | 11,555 |

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognized as part of cost of sales in the consolidated statement of profit or loss in the period in which revenue is recognized. The amount of capitalized costs recognized in profit or loss during the year ended 31 December 2024 was RMB7,258,000 (2023: RMB39,451,000). There was impairment of RMB10,155,000 in relation to the opening balance of capitalized costs or the costs capitalised during the year (2023: nil).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 23. BANK BALANCES AND CASH, PLEDGED/RESTRICTED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances and short-term bank deposits carry interests at market rates ranging from 0.01% to 1.25% (2023: 0.01% to 3.10%).

As at 31 December 2024, the pledged bank deposits of the Group amounting to RMB RMB50,000,000 (2023: RMB50,000,000) was related to borrowings. The pledged bank deposits carried interest at market rates ranging from 0.01% to 3.25 % (2023: 0.01% to 3.25%). As at 31 December 2024, the pledged bank deposits related to borrowings are disclosed in Note 26.

As of 31 December 2024, the restricted bank deposits of the Group amounting to RMB7,700,000 (2023: nil) were related to lawsuits. The restricted bank deposits carried interest at current market rate of 0.1% (2023: nil).

Bank balances and cash, pledged/restricted bank deposits and time deposits are denominated in the following currencies:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| RMB | **189,197** | 511,207 |
| US$ | **37,998** | 84,671 |
| HKD | **208** | 428 |
| | **227,403** | 596,306 |

## 24. TRADE AND OTHER PAYABLES

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Trade payables | **83,143** | 91,841 |
| Accrued research and development expenses | **11,558** | 48,628 |
| Other payables: | | |
| Purchase of property, plant and equipment | **10,698** | 11,905 |
| Legal and professional fee | **2,149** | 1,095 |
| Others | **691** | 2,736 |
| Interest payables | **187** | 339 |
| Other tax payables | **1,418** | 2,127 |
| Accrued staff costs and benefits | **4,085** | 5,373 |
| | **113,929** | 164,044 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 24. TRADE AND OTHER PAYABLES *(Continued)*

The average credit period on purchases of goods and services of the Group is 30-90 days.

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| 0 – 30 days | **9,699** | 31,279 |
| 31 – 60 days | **988** | 6,329 |
| 61 – 90 days | **1,106** | 13,351 |
| 91 – 120 days | **1,273** | 4,096 |
| 121 – 365 days | **34,267** | 25,870 |
| Over 365 days | **35,810** | 10,916 |
| | **83,143** | 91,841 |

Analysis of trade and other payables of the Group denominated in currencies other than the functional currency of relevant group entities is set out below:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| US$ | **1,803** | 7,622 |
| HKD | **208** | 311 |
| EUR | **40** | 81 |
| GBP | **–** | 5 |
| | **2,051** | 8,019 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 25. CONTRACT LIABILITIES

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Provision of CDMO services | **547** | 587 |

As at 1 January 2023, contract liabilities amounted to RMB1,146,000. Revenue recognised that was included in the contract liabilities balance at the beginning of the years during each of the two years ended December 31, 2024 and 2023 amounted to RMB587,000 and RMB1,146,000 respectively.

The Group normally invoices its customers a percentage of the price on acceptance of manufacturing orders to commence work, which gives rise to contracts liability at the start of a contract.

## 26. SHORT-TERM BORROWINGS/LONG-TERM BORROWINGS

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Secured | **42,000** | 42,000 |
| Unsecured | **191,140** | 345,420 |
| | **233,140** | 387,420 |
| Fixed-rate borrowings | **166,290** | 285,500 |
| Variable-rate borrowings | **66,850** | 101,920 |
| | **233,140** | 387,420 |
| **Carrying amount repayable*:** | | |
| Within one year | **217,090** | 376,920 |
| Within a period of more than one year but not exceeding two years | **16,050** | 6,000 |
| Within a period of more than two years but not exceeding five years | **–** | 4,500 |
| Within a period of more than five years | **–** | – |
| | **233,140** | 387,420 |
| Less: Amounts due within 12 months shown under current liabilities | **(217,090)** | (376,920) |
| Amounts shown under non-current liabilities | **16,050** | 10,500 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 26. SHORT-TERM BORROWINGS/LONG-TERM BORROWINGS *(Continued)*

The ranges of the effective interest rates on the Group's borrowings are as follows:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| Fixed – rate borrowings | **3.00%-3.80%** | 3.15%-4.50% |
| Variable – rate borrowings | **3.07%-3.60%** | 4% |

As at 31 December 2024 and 31 December 2023, borrowings amounting to RMB42,000,000 are secured by pledged bank deposits of RMB50,000,000.

During the year, in respect of a bank loan with a carrying amount of RMB55,000,000 as at 31 December 2024, the Group breached certain of the terms of the bank loan, which are primarily related to the debt-equity ratio of the Group. Since these borrowings are short-term borrowings, the above matters have no significant impact on the financial statements as at 31 December 2024.

All the Group's borrowings are denominated in the functional currencies of the relevant group entities.

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 27. LEASE LIABILITIES

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Lease liabilities payable:** | | |
| Within one year | **2,541** | 4,741 |
| Within a period of more than one year but not exceeding two years | **1,986** | 2,541 |
| Within a period of more than two years but not exceeding five years | **4,780** | 3,398 |
| Within a period of more than five years | **8,160** | 11,527 |
| | **17,467** | 22,207 |
| Less: Amounts due for settlement with 12 months shown under current liabilities | **(2,541)** | (4,741) |
| Amounts due for settlement after 12 months shown under non-current liabilities | **14,926** | 17,466 |

The weighted average incremental borrowing rates applied to the lease liabilities range from 3.80% to 5.49% (2023: 2.98% to 5.49%) for the year ended 31 December 2024.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 28. DEFERRED INCOME

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Government grants** | | |
| Conditional (note i) | **50,700** | 50,300 |
| Assets-related grants (note ii) | **8,000** | 16,000 |
| | **58,700** | 66,300 |
| Less: current portion | **(8,400)** | (8,000) |
| Non-current portion | **50,300** | 58,300 |

Notes:

i The deferred income mainly represents the government grant received from the local government to support the business operations of the Group. They are conditional upon meeting specific requirements based on the relevant grant documents. The Group received government grants with total amount of RMB50,700,000 but not yet recognized as other income, which is expected to be recognised when the relevant conditions fulfilled.

ii The asset-related grants are the subsidies received from the government for the purpose of compensation for purchase of the Group's property, plant and equipment. Amortisation of RMB8,000,000 was recognized in profit or loss in the current year.

## 29. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose.

| | **Fair value adjustments of property, plant and equipment** RMB'000 | **Intangible assets** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| At 1 January 2023 | 1,500 | 23,858 | 25,358 |
| Credited to profit or loss | (250) | – | (250) |
| At 31 December 2023 | 1,250 | 23,858 | 25,108 |
| Credited to profit or loss | (250) | – | (250) |
| At 31 December 2024 | **1,000** | **23,858** | **24,858** |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 30. SHARE CAPITAL

| | Number of shares | Share capital US$'000 |
|---|---|---|
| **Ordinary shares** | | |
| Ordinary shares of US$0.0001 each | | |
| **Authorized** | | |
| At 1 January 2023, 31 December 2023 and 2024 | **10,000,000,000** | **1,000** |

| | Number of shares | Amount US$'000 | Equivalent amount of ordinary shares RMB'000 |
|---|---|---|---|
| **Issue and fully paid** | | | |
| At 1 January 2023 | 419,919,652 | 42 | 272 |
| Issuance of ordinary shares in relation to exercise of share options | 114,218 | –* | –* |
| Cancellation of shares repurchased (note i) | (2,280,000) | –* | (1) |
| Issuance of shares hold on trust (note ii) | 17,449,505 | 2 | 12 |
| At 31 December 2023 | 435,203,375 | 44 | 283 |
| Issuance of ordinary shares in relation to exercise of share options | 2,000 | –* | –* |
| Cancellation of shares repurchased (note iii) | (2,142,500) | –* | (1) |
| Issuance of shares hold on trust (note iv) | 3,369,570 | –* | 2 |
| At 31 December 2024 | **436,432,445** | **44** | **284** |

* Amount is less than US$1,000 or RMB1,000.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 30. SHARE CAPITAL *(Continued)*

The details of the treasury shares are set out as below:

| | Number of treasury shares | Amount US$'000 | Equivalent amount of ordinary shares RMB'000 |
|---|---|---|---|
| At 1 January 2023 | 12,122,730 | 1 | 9 |
| Shares repurchased | 2,279,500 | 1,292 | 9,171 |
| Cancellation of shares repurchased (note i) | (2,280,000) | (1,292) | (9,175) |
| Issuance of shares hold on trust (note ii) | 17,449,505 | 2 | 12 |
| At 31 December 2023 | 29,571,735 | 3 | 17 |
| Shares repurchased | 4,492,500 | 793 | 5,637 |
| Cancellation of shares repurchased (note iii) | (2,142,500) | (462) | (3,283) |
| Vesting of restricted share units | (4,862,171) | –* | (2) |
| Issuance of shares hold on trust (note iv) | 3,369,570 | –* | 2 |
| At 31 December 2024 | **30,429,134** | **334** | **2,371** |

* Amount is less than US$1,000.

Notes:

i On 30 June 2023 and 29 December 2023, the Company cancelled 1,040,500 and 1,239,500 shares, respectively, at average price of RMB4.02, total RMB9,175,000.

ii On 2 February 2023, 25 April 2023, 21 July 2023 and 27 December 2023, the Company issued 5,035,160, 1,470,360, 6,816,185, and 4,127,800 ordinary shares to Success Connect Trust to hold on behalf of future participants of the Post-IPO Share Award Scheme of the Company.

iii On 29 August 2024, the Company cancelled 2,142,500 shares at average price of RMB1.53, total RMB3,283,000.

iv On 9 January 2024 and 29 August 2024, the Company issued 1,170,000 and 2,199,570 ordinary shares to Success Connect Trust to hold on behalf of future participants of the Post-IPO Share Award Scheme of the Company.

During year ended 31 December 2024, the Company repurchased 4,492,500 ordinary shares at average price of RMB1.25, total RMB5,637,000.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 30. SHARE CAPITAL *(Continued)*

| Month of repurchase | No. of ordinary shares of HK$0.01 each | Price per share | | Aggregate consideration paid | |
|---|---|---|---|---|---|
| | | Highest | Lowest | | |
| | | HK$ | HK$ | HK$'000 | RMB'000 |
| April | 300,500 | 1.79 | 1.28 | 489 | 444 |
| May | 985,500 | 1.90 | 1.76 | 1,790 | 1,628 |
| June | 856,500 | 1.78 | 1.34 | 1,329 | 1,210 |
| July | 796,500 | 1.53 | 1.19 | 1,101 | 1,006 |
| September | 682,000 | 1.25 | 0.97 | 732 | 664 |
| October | 176,500 | 1.20 | 1.02 | 194 | 177 |
| November | 479,000 | 1.01 | 0.64 | 410 | 378 |
| December | 216,000 | 0.72 | 0.62 | 140 | 130 |
| | 4,492,500 | | | 6,185 | 5,637 |

## 31. SHARE-BASED PAYMENT TRANSACTIONS

### *a) Pre-IPO Equity Incentive Plan*

The Transcenta Holding Limited 2019 Equity Incentive Plan ("Pre-IPO Equity Incentive Plan") was effective since 1 January 2019. The purpose of the Pre-IPO Equity Incentive Plan was to provide incentives to employees, directors and consultants in order to promote the success of the business of the Company.

Under the Pre-IPO Equity Incentive Plan, the board of directors may grant share options or pledged share units to eligible employees, directors and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Pre-IPO Equity Incentive Plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. The Pre-IPO Equity Incentive Plan will expire on its 10th anniversary.

During the year ended 31 December 2024, no shares options were granted to employees, directors and consultants (2023: 4,400,000).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### a) *Pre-IPO Equity Incentive Plan (Continued)*

Set out below are details of the movements of the outstanding restricted share units/share options granted under the Pre-IPO Equity Incentive Plan during both years:

| | At 1 January 2023 '000 | Granted during the year '000 | Forfeited during the year '000 | Exercised/ vested during the year '000 | At 31 December 2023 '000 | Granted during the year '000 | Forfeited during the year '000 | Exercised/ vested during the year '000 | **At 31 December 2024 '000** |
|---|---|---|---|---|---|---|---|---|---|
| Milestone-based (note) | 2,592 | 1,000 | (240) | – | 3,352 | – | (5) | – | **3,347** |
| Time-based | | | | | | | | | |
| Category A | 3,985 | – | (1,052) | (84) | 2,849 | – | (153) | – | **2,696** |
| Category B | – | – | – | – | – | – | – | – | **–** |
| Category C | 1,453 | – | (15) | (25) | 1,413 | – | (118) | (2) | **1,293** |
| Category D | 9,139 | 3,400 | (751) | (1,968) | 9,820 | – | (310) | (1,067) | **8,443** |
| Category E | 600 | – | – | – | 600 | – | – | – | **600** |
| | 17,769 | 4,400 | (2,058) | (2,077) | 18,034 | – | (586) | (1,069) | **16,379** |
| Directors | 3,225 | 4,400 | – | (1,700) | 5,925 | – | (125) | (850) | **4,950** |
| Consultants | 1,740 | – | (1,035) | – | 705 | – | – | – | **705** |
| Employees | 12,804 | – | (1,023) | (377) | 11,404 | – | (461) | (219) | **10,724** |
| | 17,769 | 4,400 | (2,058) | (2,077) | 18,034 | – | (586) | (1,069) | **16,379** |
| Weighted average exercise price (US$) | 0.54 | –* | 0.48 | 0.72 | 0.47 | – | 0.66 | 0.83 | **0.50** |
| Exercisable | | | | | | | | | |
| Directors | 2,900 | | | | 3,131 | | | | **3,100** |
| Consultants | 1,613 | | | | 1,679 | | | | **698** |
| Employees | 8,577 | | | | 8,712 | | | | **8,427** |
| | 13,090 | | | | 13,522 | | | | **12,225** |

* Amount is less than US$0.01.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### *b) Post-IPO Share Award Scheme*

On 18 June 2021, the Company adopted a post-IPO share award scheme (the "Post-IPO Share Award Scheme"). Under the Post-IPO Share Award Scheme, the board of directors may grant restricted share units/share options to eligible employees, directors and consultants. The maximum number of shares/share options which may be issued pursuant to all awards granted under the Post-IPO Share Award Scheme is 44,551,933.

| | At 31 December 2022 '000 | Granted during the year '000 | Forfeited during the year '000 | Exercised/ vested during the year '000 | At 31 December 2023 '000 | Granted during the year '000 | Forfeited during the year '000 | Exercised/ vested during the year '000 | **At 31 December 2024 '000** |
|---|---|---|---|---|---|---|---|---|---|
| Milestone-based (note) | 9,150 | 9,137 | (200) | – | 18,087 | 300 | (280) | – | **18,107** |
| Time-based | | | | | | | | | |
| Category B | 103 | 665 | (30) | – | 738 | – | (99) | (332) | **307** |
| Category C | 3,246 | 6,259 | (801) | (542) | 8,162 | – | (1,152) | (563) | **6,447** |
| Category D | 4,405 | 1,554 | (530) | (945) | 4,484 | 400 | (692) | (1,079) | **3,113** |
| Category F | 562 | 2,521 | (403) | – | 2,680 | 4,419 | (254) | (1,821) | **5,024** |
| | 17,466 | 20,136 | (1,964) | (1,487) | 34,151 | 5,119 | (2,477) | (3,795) | **32,998** |
| Directors | 11,147 | 15,670 | (20) | (802) | 25,995 | 518 | (807) | (1,232) | **24,474** |
| Employees | 6,319 | 4,466 | (1,944) | (685) | 8,156 | 4,601 | (1,670) | (2,563) | **8,524** |
| | 17,466 | 20,136 | (1,964) | (1,487) | 34,151 | 5,119 | (2,477) | (3,795) | **32,998** |
| Weighted average exercise price (US$) | 0.27 | 0.17 | 0.12 | -* | 0.23 | – | 0.22 | -* | **0.22** |
| Exercisable | | | | | | | | | |
| Directors | 1,688 | | | | 13,687 | | | | **14,919** |
| Employees | 754 | | | | 1,684 | | | | **2,166** |
| | 2,442 | | | | 15,371 | | | | **17,085** |

* Amount is less than US$0.01.

Note: Milestone-based restricted share units/share options are granted conditionally upon the achievement of specific performance targets including but not limited to completion of various research and development milestones. The expected vesting period is estimated by directors of the Company based on the expected timeline of each milestone achievement.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### b) *Post-IPO Share Award Scheme (Continued)*

The share options outstanding at 31 December 2024 had a weighted average remaining contractual life of 0.63 years (2023: 1.20 years).

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HKD3.80 (2023: HKD4.58).

During the year ended 31 December 2024, no options were granted. During the year ended 31 December 2023, options were granted on 9 March and 31 March. The estimated fair values of the options granted on those dates are HKD1.00 and HKD1.00 respectively. The closing price of the Company's shares immediately before 9 March and 31 March, the dates of grant, was HKD2.69 and HKD2.56 respectively.

The vesting schedule for category A options is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

The vesting schedule for category B options is over 2 years in 2 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category C options is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category D options is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category E options is over 5 years in 5 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category F options is over 1 year in 1 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

*Fair value of restricted share units/share options granted*

Back-solve method was used to determine the underlying equity fair value of the Company and binomial option pricing model was used to determine the fair value of the options granted. The fair value of the options at grant date was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors with best estimate.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### *b) Post-IPO Share Award Scheme (Continued)*

*Fair value of restricted share units/share options granted (Continued)*

These key inputs into the model were as follows:

| | Granted during the year ended 31 December | |
|---|---|---|
| | 2023 | **2024** |
| Grant date option fair value per share | US$0.10 – US$0.66 | **N/A** |
| Grant date ordinary share fair value | US$0.31 – US$0.65 | **US$0.17 – US$0.43** |
| Exercise price | US$0.0000 – US$0.3864 | **US$0.0000** |
| Expected volatility | 75% | **75%** |
| Expected life | 10 years | **10 years** |
| Risk-free rate | 3.15%~3.93% | **3.91%~4.25%** |
| Expected dividend yield | 0% | **0%** |

N/A: not disclosed as no option been granted

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized the total expense of RMB23,931,000 for the year ended 31 December 2024 (2023: RMB28,328,000) in relation to restricted share units/share options granted by the Company.

## 32. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following balances with related parties:

| | | As at 31 December | |
|---|---|---|---|
| **Relationships** | **Nature of balances** | **2024** | 2023 |
| | | **RMB'000** | RMB'000 |
| A joint venture | Trade receivables | **4,720** | 4,720 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 32. RELATED PARTY TRANSACTIONS *(Continued)*

### *Compensation of key management personnel*

The remuneration of the directors of the Company and other members of key management of the Group during the year were as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Short term benefits | **11,300** | 17,698 |
| Discretionary bonus (note) | **15** | 836 |
| Post-employment benefits | **1,043** | 1,472 |
| Share-based payments | **7,439** | 20,623 |
| | **19,797** | 40,629 |

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

## 33. CAPITAL COMMITMENT

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements: | | |
| – Property, plant and equipment | **6,217** | 39,938 |

## 34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to share holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts, which includes borrowings disclosed in Note 26, lease liabilities disclosed in Note 27 net of bank balances and pledged/restricted bank deposits disclosed in Note 23 and equity of the Group, comprising issued share capital and reserves.

Management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues and share buy-backs as well as the issue of new debt.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS

### *(a) Categories of financial instruments*

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Financial assets** | | |
| Amortised cost | **251,436** | 637,834 |
| **Financial liabilities** | | |
| Amortised cost | **341,566** | 543,964 |

### *(b) Financial risk management objectives and policies*

The Group's major financial assets and liabilities include trade and other receivables, bank balances and cash, pledged/restricted bank deposits, trade and other payables and borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

**(i) Currency risk**

Certain bank balances and cash, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are mainly as follows:

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Assets** | | |
| US$ | **38,763** | 85,405 |
| HKD | **208** | 428 |
| **Liabilities** | | |
| US$ | **1,803** | 7,622 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

*Market risk (Continued)*

**(i) Currency risk** *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HKD, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HKD. For a 5% weakening of RMB against US$ and HKD, there would be an equal and opposite impact on loss for the year.

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| *Impact on profit or loss* | | |
| US$ | **(1,848)** | (3,889) |
| HKD | **(10)** | (21) |

**(ii) Interest rate risk**

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate borrowings and lease liabilities. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on borrowings. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate borrowings is insignificant, therefore no sensitivity analysis on such risk has been prepared.

*Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

*Credit risk (Continued)*

**Trade receivables**

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each period. The expected credit loss rate of trade receivables as at 31 December 2024 were 42% (2023: 3%).

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As of 31 December 2024, RMB19,915,000 (2023: RMB19,915,000), representing 63% (2023: 51%) of total trade receivables from the Group's largest debtors and RMB30,425,000 (2023: RMB36,409,000) of the trade receivables was due from the five largest debtors, representing 97% (2023: 94%) of total trade receivables as at 31 December 2024.

**Other receivables**

For other receivables, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period. Credit loss of other receivables is RMB275,000 at 31 December 2024 (2023: RMB275,000).

**Bank balances and cash, pledged/restricted bank deposits**

The credit risk on bank balances and cash, pledged/restricted bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

*Credit risk (Continued)*

**Bank balances and cash, pledged/restricted bank deposits** *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables | Other financial assets |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL – not credit – impaired | 12m ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full | Lifetime ECL – not credit – impaired | 12m ECL |
| Doubtful | Amount is >30 days past due or there have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit – impaired | Lifetime ECL – not credit-impaired |
| Loss | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL– credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

*Credit risk (Continued)*

**Bank balances and cash, pledged/restricted bank deposits** *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| | | | | The Group | |
|---|---|---|---|---|---|
| | Notes | **Internal credit rating** | **12m or lifetime ECL** | **As at 31 December 2024 Gross carrying amount RMB'000** | As at 31 December 2023 Gross carrying amount RMB'000 |
| **Financial assets at amortised cost** | | | | | |
| Trade receivables | 21 | Low risk/ doubtful | Lifetime ECL – not credit-impaired | **1,539** | 18,941 |
| | 21 | Loss | Lifetime ECL – credit-impaired | **29,837** | 19,915 |
| | | | | **31,376** | 38,856 |
| Other receivables | 21 | Low risk | 12m ECL | **1,594** | 1,419 |
| | 21 | Loss | Lifetime ECL – credit-impaired | **420** | 460 |
| | | | | **2,014** | 1,879 |
| Interest receivables | 21 | Low risk | 12m ECL | **3,949** | 2,268 |
| Bank balances and cash | 23 | N/A | 12m ECL | **169,423** | 546,026 |
| Pledged/restricted bank deposits | 23 | N/A | 12m ECL | **57,980** | 50,280 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

*Credit risk (Continued)*

**Bank balances and cash, pledged/restricted bank deposits** *(Continued)*

The following table shows reconciliation of loss allowances has been recognized for trade receivables and other receivables:

| | **Trade receivables (Lifetime ECL-credit-impaired)** RMB'000 | **Other receivables (Lifetime ECL-credit-impaired)** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| At 31 December 2023 | 1,200 | 275 | 1,475 |
| Impairment losses recognized | 11,831 | – | 11,831 |
| At 31 December 2024 | **13,031** | **275** | **13,306** |

*Liquidity risk*

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 35. FINANCIAL INSTRUMENTS *(Continued)*

### *(b) Financial risk management objectives and policies (Continued)*

*Liquidity risk (Continued)*

| | Weighted average effective interest rate | Within 1 year and on demand | 1 to 2 years | 2 to 5 years | More than 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 31 December 2024** | | | | | | | |
| Trade and other payables | **–** | **108,426** | **–** | **–** | **–** | **108,426** | **108,426** |
| Borrowings | **3.437** | **224,681** | **17,192** | **–** | **–** | **241,873** | **233,140** |
| Lease liabilities | **5.30** | **2,679** | **2,208** | **5,604** | **10,089** | **20,580** | **17,467** |
| | | **335,786** | **19,400** | **5,604** | **10,089** | **370,879** | **359,033** |
| **At 31 December 2023** | | | | | | | |
| Trade and other payables | – | 156,544 | – | – | – | 156,544 | 156,544 |
| Borrowings | 3.625 | 347,316 | 51,614 | 5,017 | – | 403,947 | 387,420 |
| Lease liabilities | 4.20 | 4,951 | 2,771 | 3,869 | 13,703 | 25,294 | 22,207 |
| | | 508,811 | 54,385 | 8,886 | 13,703 | 585,785 | 566,171 |

### *(c) Fair value measurements of financial instruments*

The fair value of financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis using prices from observable current market conditions.

*Fair value of financial assets and financial liabilities that are not measured at fair value*

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 36. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC is RMB20,262,000 for the year ended 31 December 2024 (2023: RMB19,724,000).

The Group has a defined contribution plan in the USA where participating employees may contribute up to US$23,000 (2023: US$22,500) annually. The Group makes a matching contribution of 3.0% of each eligible participant's compensation. The total cost in respect to the above mentioned defined contribution plan amounted to approximately RMB661,000 for the year ended 31 December 2024 (2023: RMB1,047,000). There was no forfeited contribution under the Group's defined contribution plan for the year ended 31 December 2024.

## 37. PARTICULARS OF SUBSIDIARIES

As at 31 December 2023 and 2024, the Group's subsidiaries are as follows:

| Name of subsidiaries | **Place/country and date of establishment/ incorporation/ operations and nature of the legal entity** | **Issued and fully paid share/registered capital** | **Equity interest attributable to the Group as at 31 December** | | **Principal activities** |
|---|---|---|---|---|---|
| | | | **2024** | 2023 | |
| **Directly held** | | | | | |
| Transcenta Therapeutics Co., Limited (formerly known as" Mabspace Biosciences Co., Limited") | Hong Kong 6 April 2011 | HKD10,000 | **100%** | 100% | Investment holding |
| Perfusion Biologics Co., Limited (formerly known as "Transcenta Biotherapeutics Inc.") | Cayman 15 November 2018 | US$50,000 | **100%** | 100% | Investment holding |
| Transcenta Therapeutics Inc. | USA 26 September 2016 | US$2,750,000 | **100%** | 100% | Research, development and commercialization of innovation therapies |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 37. PARTICULARS OF SUBSIDIARIES *(Continued)*

| Name of subsidiaries | Place/country and date of establishment/ incorporation/ operations and nature of the legal entity | Issued and fully paid share/registered capital | Equity interest attributable to the Group as at 31 December 2024 | Equity interest attributable to the Group as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held** | | | | | |
| HJB Hangzhou (note b) | The PRC 18 February 2016 Limited Liability Company | RMB376,832,160 | **100%** | 100% | Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services |
| Suzhou Transcenta (note b) | The PRC 18 October 2012 Limited Liability Company | US$105,657,153,39 | **100%** | 100% | Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services |
| Transcenta Diagnostics (Suzhou) Co., Ltd. (創勝診斷科技(蘇州)有限公司) (note c)* | The PRC 18 September 2013 Limited Liability Company | RMB5,000,000 | **100%** | 100% | Research, development and commercialization of innovative therapies |
| Transcenta Therapeutics (Shanghai) Co., Ltd. (創勝生物醫藥(上海)有限公司) (note a)* | The PRC 22 May 2019 Limited Liability Company | US$12,500,000 | **100%** | 100% | Research, development and commercialization of innovative therapies |
| Perfusion Biologics (HK) Co., Limited (formerly known as "HJB (Hong Kong) Limited.") | Hong Kong 7 March 2016 | HKD1 | **100%** | 100% | Investment holding |
| Transcenta Therapeutics (Beijing) Co., Ltd. (邁博斯生物科技(北京)有限公司) (note c)* | The PRC 21 September 2020 Limited Liability Company | RMB20,000,000 | **100%** | 100% | Research, development and commercialization of innovative therapies |
| Transcenta Therapeutics (Guangzhou) Co., Ltd. (創勝生物醫藥(廣州)有限公司) (note c and note d)* | The PRC 24 June 2020 Limited Liability Company | RMB42,000,000 | **100%** | 100% | Research, development and commercialization of innovative therapies |
| Transcenta Therapeutics (Hangzhou) Co., Ltd. (創勝生物醫藥(杭州)有限公司) (note c)* | The PRC 7 January 2022 Limited Liability Company | RMB160,160,000 | **100%** | 100% | Research, development and commercialization of innovative therapies |
| Perfusion Biologics (Suzhou) Co., Limited (普福生物(蘇州)有限公司) (note b and note e)* | The PRC 6 July 2022 Limited Liability Company | US$10,000,000 | **N/A** | 100% | Research, development and commercialization of innovative therapies |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 37. PARTICULARS OF SUBSIDIARIES *(Continued)*

| Name of subsidiaries | Place/country and date of establishment/ incorporation/ operations and nature of the legal entity | Issued and fully paid share/registered capital | Equity interest attributable to the Group as at 31 December 2024 | Equity interest attributable to the Group as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| Transcenta Therapeutics BV (Amsterdam) | Netherlands 21 December 2022 | EUR18,000 | **100%** | 100% | Research, development and commercialization of innovative therapies |
| Transcenta (Suzhou) Pharmaceutical Co., Ltd (蘇州創勝製藥有限公司) (note c and note f)* | The PRC 30 August 2022 Limited Liability Company | RMB60,000,000 | **N/A** | 100% | Research, development and commercialization of innovative therapies |
| HJB Biologics, Inc. | USA 9 May 2023 | US$10 | **100%** | 100% | Research, development and commercialization of innovative therapies |

Notes:

* English name for identification purpose only

a. This Company is a sino-foreign joint venture.

b. This Company is a wholly-foreign owned enterprise.

c. This Company is a wholly-domestic owned enterprise.

d. This Company was deregistered on 1 April 2024.

e. This Company was deregistered on 29 February 2024.

f. This Company was deregistered on 28 February 2024.

None of the subsidiaries has issued any debt securities as of 31 December 2024.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Borrowings | Interest payables | Lease liabilities | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 31 December 2022 | 403,600 | 576 | 7,860 | 412,036 |
| Financing cash flow | (16,180) | (15,620) | (6,289) | (38,089) |
| Finance costs | – | 15,383 | 634 | 16,017 |
| New leases entered | – | – | 20,002 | 20,002 |
| At 31 December 2023 | **387,420** | **339** | **22,207** | **409,966** |
| Financing cash flow | **(154,280)** | **(12,646)** | **(5,529)** | **(172,455)** |
| Finance costs | **–** | **12,494** | **789** | **13,283** |
| At 31 December 2024 | **233,140** | **187** | **17,467** | **250,794** |

## 39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | At 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Non-current assets** | | |
| Investment in subsidiaries and amounts due from subsidiaries | **1,044,130** | 2,616,556 |
| Loan to a subsidiary | **145,817** | 145,817 |
| | **1,189,947** | 2,762,373 |
| **Current asset** | | |
| Bank balances and cash | **7,454** | 108,277 |
| **Current liability** | | |
| Other payables | **4,692** | 5,142 |
| **Net current assets** | **2,762** | 103,135 |
| **Total assets less current liability** | **1,192,709** | 2,865,508 |
| **Net assets** | **1,192,709** | 2,865,508 |
| **Capital and reserves** | | |
| Share capital | **284** | 283 |
| Treasury shares | **(2,371)** | (17) |
| Reserves | **1,194,796** | 2,865,242 |
| **Total equity** | **1,192,709** | 2,865,508 |

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

## 39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

### *Movement in the Company's reserves*

| | Share premium RMB'000 | Share-based payment reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2023 | 4,665,983 | 91,308 | (1,946,157) | 2,811,134 |
| Profit and total comprehensive income for the year | – | – | 34,708 | 34,708 |
| Recognition of equity-settled share-based payment | – | 28,328 | – | 28,328 |
| Cancellation of shares repurchased | (9,174) | – | – | (9,174) |
| Exercise of share options | 819 | (573) | – | 246 |
| At 31 December 2023 | 4,657,628 | 119,063 | (1,911,449) | 2,865,242 |
| Loss and total comprehensive expense for the year | **–** | **–** | **(1,691,124)** | **(1,691,124)** |
| Recognition of equity-settled share-based payment | **–** | **23,931** | **–** | **23,931** |
| Cancellation of shares repurchased | **(3,282)** | | **–** | **(3,282)** |
| Exercise of share options/Vesting of restricted share units | **41** | **(12)** | **–** | **29** |
| At 31 December 2024 | **4,654,387** | **142,982** | **(3,602,573)** | **1,194,796** |

## 40. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

# Five Year Financial Summary

**Condensed Consolidated Income Statements**

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2020 (RMB'000) | 2021 (RMB'000) | 2022 (RMB'000) | 2023 (RMB'000) | **2024 (RMB'000)** |
| **Revenue** | 80,980 | 50,242 | 101,892 | 53,849 | **11,261** |
| Cost of Sales | (62,778) | (40,874) | (82,003) | (39,451) | **(7,258)** |
| **Gross Profit** | 18,202 | 9,368 | 19,889 | 14,398 | **4,003** |
| Other income | 11,944 | 32,906 | 46,402 | 37,312 | **23,499** |
| Other gains and losses, net | 26,745 | (1,199,972) | 29,729 | 2,363 | **(20,238)** |
| Research and development expenses | (200,312) | (344,370) | (349,781) | (382,047) | **(192,055)** |
| Administrative and selling expenses | (157,949) | (145,215) | (112,449) | (117,397) | **(70,513)** |
| Listing expenses | (5,570) | (48,605) | – | – | **–** |
| Impairment losses under expected credit loss model | – | (1,641) | – | (1,475) | **(11,831)** |
| Impairment losses on contract costs | – | – | – | – | **(10,155)** |
| Share of loss of a joint venture | – | (2,952) | (23,145) | 43 | **31** |
| Finance costs | (16,070) | (15,167) | (17,636) | (16,017) | **(13,283)** |
| **Loss before tax** | (323,010) | (1,715,648) | (406,991) | (462,820) | **(290,542)** |
| Income tax (expense) credit | 110 | 105 | 246 | 250 | **250** |
| Loss for the year | (322,900) | (1,715,543) | (406,745) | (462,570) | **(290,292)** |
| Other comprehensive (expense) income for the year | 3,359 | 1,751 | (10,947) | (3,100) | **(4,030)** |
| **Loss and total comprehensive expenses for the year** | (319,541) | (1,713,792) | (417,692) | (465,670) | **(294,322)** |

# Five Year Financial Summary

**Condensed Consolidated Statements of Financial Position**

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2020 (RMB'000) | 2021 (RMB'000) | 2022 (RMB'000) | 2023 (RMB'000) | **2024 (RMB'000)** |
| **Current assets** | 891,457 | 1,395,602 | 1,056,475 | 684,043 | **279,494** |
| Inventories | 7,901 | 20,792 | 20,566 | 17,907 | **16,620** |
| Trade and other receivables | 31,635 | 43,380 | 69,623 | 52,316 | **31,107** |
| Contract costs | 38,329 | 33,275 | 17,636 | 11,555 | **2,132** |
| Amounts due from related parties | – | 76,129 | – | – | **–** |
| VAT recoverable | – | – | 5,564 | 6,239 | **2,512** |
| Pledged bank deposits | – | – | 47,636 | 50,000 | **57,700** |
| Bank balances and cash | 813,592 | 1,222,026 | 895,450 | 546,026 | **169,423** |
| **Current liabilities** | 194,537 | 425,810 | 550,370 | 554,292 | **342,507** |
| Trade and other payables | 88,690 | 101,964 | 148,381 | 164,044 | **113,929** |
| Amount due to a director | – | 268 | – | – | **–** |
| Contract liabilities | 7,029 | 35,967 | 1,146 | 587 | **547** |
| Short-term borrowings | 91,312 | 273,339 | 387,600 | 376,920 | **217,090** |
| Lease liabilities | 7,506 | 6,272 | 5,243 | 4,741 | **2,541** |
| Deferred income | – | 8,000 | 8,000 | 8,000 | **8,400** |
| **Net current assets** | 696,920 | 969,792 | 506,105 | 129,751 | **(63,013)** |
| **Non-current assets** | 1,199,467 | 1,149,353 | 1,078,070 | 1,009,256 | **920,783** |
| **Non-current liabilities** | 2,712,632 | 153,576 | 110,275 | 111,374 | **106,134** |
| **Net assets (liabilities)** | (816,245) | 1,965,569 | 1,473,900 | 1,027,633 | **751,636** |
| **Total equity (deficits)** | (816,245) | 1,965,569 | 1,473,900 | 1,027,633 | **751,636** |

# Definitions

| | |
|---|---|
| "associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Articles of Association" | the memorandum and articles of association of the Company adopted on June 18, 2021 with effect from the Listing Date, as amended from time to time |
| "AGM" | the annual general meeting of the Company to be held on Friday, June 6, 2025 |
| "Audit Committee" | the audit committee of the Company |
| "Award" | the grant of Award Shares to the Eligible Persons in accordance with the terms of the Share Incentive Scheme |
| "Award Shares" | the Shares granted under the Share Incentive Scheme |
| "Board" or "Board of Directors" | the board of directors of our Company |
| "CDMO" | contract development and manufacturing organization |
| "CG Code" | the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 of the Listing Rules, as amended, supplemented or otherwise modified from time to time |
| "China" or the "PRC" | the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan |
| "CIC Report" | the report prepared by China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party |
| "CMC" | chemistry, manufacturing and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products |
| "Company", "our Company", "the Company" or "Transcenta" | Transcenta Holding Limited (創勝集團醫藥有限公司) (formerly named Mabspace International Limited), a limited liability company incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands |

# Definitions

| | |
|---|---|
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "connected transactions" | has the meaning ascribed to it under the Listing Rules |
| "Director(s)" | the director(s) of our Company |
| "FDA" | U.S. Food and Drug Administration |
| "Global Offering" | the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus |
| "GMP" | good manufacturing practice, the regulations provided by the FDA that guide the design, monitoring, and maintenance of manufacturing facilities and processes |
| "Group", "our Group", "the Group", "we", "us" or "our" | the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HK dollars" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "IFRS" | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| "Independent Third Party(ies)" | any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules |
| "IND" | investigational new drug or investigational new drug application, also known as clinical trial application in China |
| "IPO" | initial public offering |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange |

# Definitions

| | |
|---|---|
| "Listing Date" | September 29, 2021, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange |
| "Listing Rules" | the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules |
| "NMPA" | National Medical Products Administration of China (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), the State Food and Drug Administration (國家食品藥品監督管理局), and the State Drug Administration (國家藥品監督管理局) |
| "Nomination Committee" | the nomination committee of the Board |
| "Share Incentive Scheme" | the Share Incentive Scheme conditionally adopted by the Company on June 18, 2021 and amended on November 4, 2022 |
| "Pre-IPO Equity Incentive Plan" | the employee equity plan approved and adopted by the Company and effective since January 1, 2019 (as amended from time to time) |
| "Prospectus" | the prospectus of the Company dated September 14, 2021 |
| "R&D" | research and development |
| "Remuneration Committee" | the remuneration committee of the Company |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of PRC |
| "Reporting Period" | the year ended December 31, 2024 |
| "Scheme Administrator" | the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) to administer the Share Incentive Scheme in accordance with its rules |

# Definitions

| | |
|---|---|
| "Share Incentive Scheme Limit" | 44,551,933, the 10.0% of the total issued and outstanding Shares under Share Incentive Scheme as at November 4, 2022 |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) in the share capital of the Company, currently with a par value of US$0.0001 each |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary" or "subsidiaries" | has the meaning ascribed to it thereto in section 15 of the Companies Ordinance |
| "substantial shareholder" | has the meaning ascribed to it in the Listing Rules |
| "United States" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US dollars", "U.S. dollars", "US$" or "USD" | United States dollars, the lawful currency of the United States |
| "%" | per cent |