HIGHTIDE

君圣泰医药
HighTide Therapeutics, Inc.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2511

2024
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

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Dr. LIU Liping (劉利平) (*Chairwoman of the Board and chief executive officer of the Company*)
Ms. YU Meng (于萌)

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Dr. ZHU Xun (朱迅)
Mr. MA Lixiong (馬立雄) *(Deputy Chairman of the Board)*
Mr. JIANG Feng (江峰)
Mr. LI Li (李鋰) (*resigned with effect from February 2, 2024*)

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Mr. TAN Bo (譚擘)
Dr. Jin LI (李靖)
Mr. HUNG Tak Wai (孔德偉)

AUDIT COMMITTEE

Mr. TAN Bo (譚擘) (*Chairman*)
Dr. Jin LI (李靖)
Mr. HUNG Tak Wai (孔德偉)

REMUNERATION COMMITTEE

Dr. Jin LI (李靖) (*Chairman*)
Dr. LIU Liping (劉利平)
Mr. TAN Bo (譚擘)

NOMINATION COMMITTEE

Dr. LIU Liping (劉利平) (*Chairwoman*)
Dr. Jin LI (李靖)
Mr. HUNG Tak Wai (孔德偉)

JOINT COMPANY SECRETARIES

Ms. GAO Liping (高麗萍) *(appointed on December 19, 2024)*
Ms. CHU Pik Man (朱璧敏)
Ms. YU Li (于莉) (*resigned with effect from December 19, 2024*)

AUTHORIZED REPRESENTATIVES

Dr. LIU Liping (劉利平)
Ms. CHU Pik Man (朱璧敏)

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STOCK CODE

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COMPANY'S WEBSITE

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LISTING DATE

December 22, 2023

CHAIRWOMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors of HighTide Therapeutics, Inc., I extend our sincere gratitude for your continued trust and support. It is my pleasure to present to you our annual report for the year ended December 31, 2024.

Reflecting on the past year, China's biopharmaceutical industry has demonstrated steady progress despite a complex global environment. Amid numerous challenges, the industry has garnered significant attention with its resilience and innovative advancements. For HighTide Therapeutics, 2024 was a transformative year, marked by major milestones across product development, clinical trials, and business expansion. Our in house developed product, Berberine ursodeoxycholic (HTD1801), the first-in-class oral metabolic treatment, has made steady strides in multiple clinical trials. Results have highlighted HTD1801's multifunctional therapeutic potential, including blood glucose reduction, lipid regulation, anti-inflammatory properties, liver protection, and weight loss. Preclinical studies have also indicated potential benefits in cancer prevention, anti-aging, and neuroprotection, reinforcing its potential as a groundbreaking multi-functional treatment. With composition of matter patents granted in major global markets, HTD1801 is well-positioned for long-term market exclusivity, ensuring an extended product life cycle and a strong competitive edge in addressing chronic diseases in China and worldwide.

In China, HTD1801 is nearing completion of Phase III clinical trials for type 2 diabetes mellitus (T2DM), and remains on track for a New Drug Application (NDA) submission by the end of 2025. Its multi-functional treatment suggests it is on the cusp of entering a new era of commercialization. In 2024, the Company fully advanced HTD1801's clinical trials for T2DM and metabolic dysfunction-associated steatohepatitis (MASH) indications. In Mainland China, three Phase III clinical trials are evaluating HTD1801's efficacy and safety in T2DM patients. These trials include patients with T2DM who have poor glycemic control despite dietary and lifestyle interventions, those whose diabetes is inadequately managed with metformin, and a head-to-head non-inferiority trial against dapagliflozin. Enrollment for these trials has been successfully completed. Additionally, the Company actively showcased the latest research findings of HTD1801 at international academic conferences. In June 2024, at the American Diabetes Association (ADA) Annual Meeting, the Company presented a post-hoc analysis of HTD1801's Phase II clinical study in patients with T2DM. The data showed that HTD1801 significantly improved glycemic and cardiometabolic parameters, suggesting its potential as an innovative therapeutic solution for comprehensive glycemic and cardiometabolic management. In September 2024, at the European Association for the Study of Diabetes (EASD) Annual Meeting, the Company orally presented two post-hoc analyses of Phase II clinical studies of HTD1801 in T2DM patients. The results further confirmed HTD1801's consistent efficacy across different ethnic patients, offering significant improvements in key measures of glycemic, cardiometabolic, and hepatic benefit. In March 2025, data from a Phase II clinical study of HTD1801 for treatment of T2DM were published in the top-tier journal JAMA Network Open. The study showed that HTD1801 had beneficial therapeutic effects in improving glycemic, hepatic and cardiometabolic parameters, achieving multifaceted metabolic benefits. The topline data of Phase III clinical trials in T2DM are expected to be announced in the first half of 2025, and the Company plans to actively advance HTD1801 towards a marketing application, marking a pivotal transition from research and development to commercialization.

HTD1801's Phase IIb results for MASH, conducted globally, are expected to be announced in 2025. Additionally, the Company is preparing for Phase II clinical trials of HTD1801 in combination with GLP-1 receptor agonists (GLP-1RA) for treating obesity. In the future, HTD1801 is expected to serve both as a unique metabolic regulator and in combination with existing metabolic disease treatment regimens, offering optimal therapeutic solutions for patients. For MASH, our ongoing global Phase IIb clinical trial of HTD1801 successfully completed enrollment in the United States, Mainland China, and Hong Kong in March 2024. The trial results are expected to be announced in 2025. In June 2024, at the European Association for the Study of the Liver (EASL) Congress, and in November 2024, at the American Association for the Study of Liver Diseases (AASLD) The Liver Meeting®, the Company presented multiple post-hoc analyses of the Phase IIa clinical study of HTD1801 in patients with MASH and comorbid T2DM. These analyses revealed HTD1801's unique advantages in comprehensive cardiometabolic benefits. The significance of these findings suggests that HTD1801 provides greater improvements in glycemic control, lipid metabolism, and weight loss compared to ongoing GLP-1RA use. Additionally, observations of improved gastrointestinal tolerance over time reinforced HTD1801's strong safety profile, further highlighting its potential for long-term management of chronic conditions such as MASH and T2DM.

In 2024, HighTide Therapeutics has continued its strategic focus on a collaborative innovation model, combining "local wisdom and global resources". In addition to steadily advancing product development and clinical trials, the Company also made significant progress in business expansion and partnerships. HighTide Therapeutics entered into a strategic cooperation framework agreement with Shijiazhuang No.4 Pharmaceutical Group. By leveraging the Company's strengths in novel drug discovery and Shijiazhuang No.4 Pharmaceutical Group's expertise in formulation development and manufacturing, the two parties will collaborate to address unmet medical needs in the field of metabolic diseases. In February 2025, we welcomed a delegation of senior government and business leaders from Dubai, United Arab Emirates, to our headquarters, showcasing our innovative drug development system and global strategy. Behind these international engagements and business collaborations lies the Company's unique approach, which is rooted in traditional Chinese natural products and simultaneously achieves technological breakthroughs and global value creation. By integrating the holistic view of traditional Chinese medicine with modern precision medicine, HighTide Therapeutics has built an R&D system targeting "DeepCure" to deliver first-in-class drugs that treat both symptoms and root causes of disease, leading to cures. Under this strategic guidance, the Company has initiated more than ten clinical trials in multiple countries, including the United States, Australia, Canada, and China. It has also established a global intellectual property system with authorization in 17 major countries and regions, including China, the United States, and Europe. This practice of interpreting traditional wisdom through science and reshaping therapeutic standards through innovation not only validates the global competitiveness of China's original innovative drugs but also demonstrates the long-term value created by the "China Solution", which is oriented towards comprehensive patient benefits.

With favorable conditions and good opportunities, we must forge ahead with determination. Given the long journey ahead, we need to accelerate our progress. As we embark on 2025, we recognize both the opportunities and challenges ahead. This year marks a critical transition as we move toward commercialization. Looking ahead to the new year, HighTide Therapeutics will remain steadfast in our commitment to innovation, scientific rigor, and global collaboration, and remain committed to integrating natural products with modern medicine. Our priority remains the development and commercialization of our core product, HTD1801. Additionally, the Company will further strengthen its global operational capabilities, optimize resource allocation, and enhance its international competitiveness.

Finally, on behalf of the Board of Directors and our management team, I extend my heartfelt appreciation to our shareholders and partners for your unwavering support and trust. In an evolving pharmaceutical landscape, HighTide Therapeutics will continue to navigate changes in the industry and policy environment with determination, staying true to our mission of providing Chinese treatments for metabolic diseases. Together, we will bring HTD1801, an example of modern Chinese innovation, to the global market, thus improving human health while delivering sustainable value for patients, shareholders and our partners.

Chairwoman of the Board
Dr. LIU Liping

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

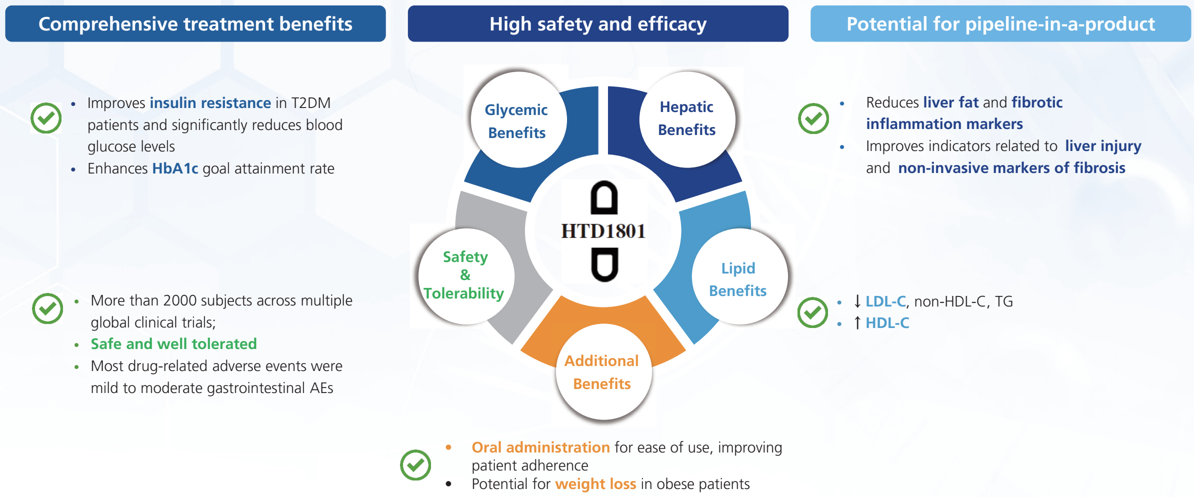
We are an innovative biopharmaceutical company specializing in the research and development of transformative therapeutic solutions for metabolic diseases. Our products deliver comprehensive benefits to patients worldwide.

Chronic metabolic diseases represent a significant unmet medical need and a tremendous burden for patients and caregivers worldwide. These diseases broadly share a pathogenic relationship that leads to the development of multiple metabolic comorbidities, complicating patient management and worsening prognosis. We are developing breakthrough therapies that simultaneously target the core disease as well as the comorbidities that increase a patient's risk, thus taking a holistic approach.

Our Core Product berberine ursodeoxycholate (HTD1801) is a new molecular entity (NME), an ionic salt consisting of two active components (berberine and ursodeoxycholic acid). HTD1801 is a gut-liver anti-inflammatory metabolic modulator and exhibits a unique dual mechanism of action – AMP kinase (AMPK) activation and NLRP3 inflammasome inhibition. AMPK activation enhances energy homeostasis and NLRP3 inhibition reduces systemic inflammation – both pathways working to mitigate dysfunctions associated with chronic metabolic and cardiovascular disease. Consistent with this dual mechanism of action, HighTide has strong clinical proof of concept data showing that HTD1801 exerts a broad range of cardiometabolic benefits, including improved glycemic control, reduction in body weight, lipid-lowering (including atherogenic lipoproteins Lp(a), & ApoB), markers of systemic inflammation including hs-CRP, and lastly liver-specific benefits including lowering of ALT/AST, liver fat and fibrosis biomarkers. Preclinical studies have further revealed HTD1801's potential in tumor prevention, anti-aging, and neuroprotection. We believe that HTD1801 has the potential to serve as a unique broad-spectrum metabolic regulator, capable of being used as a monotherapy or in combination with existing approved treatments for metabolic disorders, enabling optimal therapeutic outcomes and addressing patient needs.

MANAGEMENT DISCUSSION AND ANALYSIS

The following diagram illustrates how HTD1801 may drive metabolic homeostasis through multiple mechanisms:

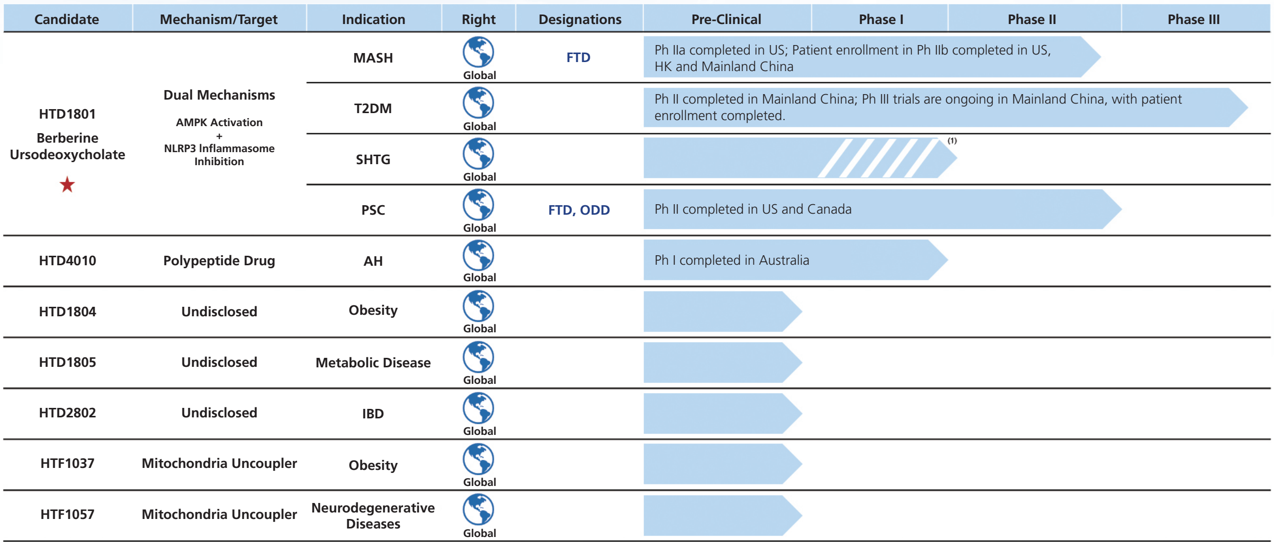


We are confident that our pipeline of innovative therapies positions us to seize opportunities in the rapidly growing global market for the treatment of significant metabolic diseases, which are expected to be associated with a market size of US$458 billion in 2032. With a focus on addressing metabolic and inflammatory comorbidities, the core strategy is to unlock the potential for indication expansion, HTD1801 is being developed globally to treat metabolic and liver diseases, including MASH, T2DM, SHTG, PSC. Along with HTD1801, we have developed a strong pipeline of similarly innovative product candidates comprising HTD4010, HTF1037, HTF1057, HTD1804, HTD1805, and HTD2802, targeting nine potential indications collectively.

We have and are currently conducting multi-center clinical trials globally including in the United States, China, Canada, and Australia in a cost-effective and time-efficient manner, enabling us to leverage market opportunities worldwide. We have further developed a portfolio of intellectual property rights to protect our technologies and products on a global scale. As of the end of the Reporting Period, the Company has a total of 134 patents and patent applications, with patent rights covering major countries and regions around the world including the United States, Europe, Australia, New Zealand, Russia, Singapore and Japan. We believe that this expansive intellectual property portfolio creates an effective barrier to market entry and serves as a cornerstone for advancing our global commercialization objectives. With our lead product HTD1801 approaching commercialization in 2025, we are well-positioned to seize substantial market opportunities.

OUR PRODUCTS AND PRODUCT PIPELINE

As of the date of this report, we have researched and developed an in-house pipeline with 7 proprietary drug candidates covering 9 indications, including 2 compounds that are at the clinical stage for 5 different indications. The following chart summarizes the development status of our drug candidates as of the date of this report:



★ Core Assets

Note: (1) We have completed a Phase Ib/IIa trial for hypercholesterolemia in Australia and a Phase IIa trial for MASH in the United States. Based on the FDA's written responses to the pre-investigational new drug meeting, the FDA concluded that the available preclinical and clinical data of the above trials was adequate to support the initiation of Phase II trial for SHTG.

HTD1801

Our Core Product, HTD1801 is an orally delivered, first-in-class gut-liver anti-inflammatory metabolic modulator being developed for the treatment of several metabolic and liver diseases, including MASH, T2DM, PSC, SHTG.

As of the date of this report, HTD1801 has been granted two FTDs and one ODD from the FDA, and has been supported by the Major National Science and Technology Projects for "Major New Drugs Development" during the "Thirteenth Five-Year Plan" period in China. Benefiting from these favourable regulatory designations and programs, the global development programs for HTD1801 are advancing toward the commercialization stage, with late-stage clinical studies currently being conducted in China and the US. In China, multiple Phase III studies for T2DM have completed patient enrollment, with topline data results expected in first half of 2025, and an NDA submission for T2DM expected by the end of 2025. In the United States, the Phase IIb study for MASH has completed patient enrollment and is also expected to be completed in 2025.

MASH

- Given the disease's pathogenetic complexity and heterogeneity, the treatment of MASH is trending toward a multifunctional therapeutic approach.

- We have completed a randomized, double-blind, placebo-controlled Phase IIa study of HTD1801 in patients with MASH and T2DM in the United States. The Phase IIa study met the primary endpoint, which showed that HTD1801 resulted in statistically significant, meaningful improvements in liver fat content, as assessed by MRI-PDFF, compared to a placebo. Throughout 2024, we presented Phase IIa results in global conferences.

- At the American Association for the Study of Liver Diseases' (AASLD) The Liver Meeting held in November 2024, two post-hoc analyses for the MASH Phase IIa study were presented. These data provide additional characterization of the efficacy and safety of HTD1801, a novel, multifunctional therapy being developed for the treatment of patients with MASH and T2DM. Key messages from these AASLD 2024 presentations are as follows:

  – HTD1801 provides greater improvements in markers of liver injury and inflammation, glycemic control, weight loss, and lipid metabolism compared to ongoing GLP-1RA use. HTD1801 could provide additional benefit to patients with MASH and T2DM, on concomitant GLP-1RA treatment.

  – HTD1801 is generally well-tolerated and with continued treatment, GI tolerance improves supporting its potential long-term use in chronic diseases.

- At the 8th Annual MASH Drug Development Summit taking place in September 2024, we made an oral presentation highlighting MASH and metabolic disease risk factors, along with preliminary metabolic and hepatic benefits observed in Phase IIa studies of HTD1801.

- At the EASL Congress in June 2024 multiple post-hoc analyses for the MASH Phase IIa study were presented including an evaluation of ongoing GLP-1 receptor agonists (GLP-1RAs) use compared to newly initiated HTD1801 treatment; analysis of the effects of HTD1801 response based on degree of insulin resistance; and a characterization of the time-course and severity of gastrointestinal (GI) adverse events (AEs) after treatment with HTD1801. Key messages from the EASL 2024 presentations are as follows:

  – HTD1801 provides greater benefit across multiple cardiometabolic endpoints compared to ongoing GLP-1RA use and that patients with MASH and T2DM, on concomitant GLP-1RAs, could achieve additional benefit in terms of further glucose and lipid lowering as well as weight loss with HTD1801.

  – Insulin resistance is a significant risk factor for T2DM, obesity and MASH. HTD1801 can alleviate the metabolic inhibitory effects caused by hyperinsulinemia, leading to even greater metabolic benefits in patients with MASH and more severe insulin resistance and therefore may offer a unique therapeutic approach for individuals with MASH and co-morbid T2DM.

  – With continued treatment with HTD1801, GI tolerability improves supporting its potential for long-term use for the treatment of chronic disease, such as MASH.

- We are currently conducting a Phase IIb study of MASH. The study has been initiated in the United States, Hong Kong and Mainland China. The patient enrollment of Phase IIb has been completed. The data readout is expected to be conducted in 2025.

T2DM

- T2DM and MASLD are intricately and bi-directionally associated, where T2DM aggravates MASLD into more severe forms of liver disorders, such as MASH, cirrhosis and hepatocellular carcinoma, while the presence of MASLD increases the incidence and severity of T2DM and makes T2DM patients more susceptible to comorbidities such as CVDs.

- Our completed Phase Ib and Phase II clinical trials of T2DM in China have demonstrated a strong therapeutic effect of HTD1801 in improving glucose metabolism, including statistically significant decreases in HbA1c and fasting glucose levels, which may be the result of decreased insulin resistance based on observed reductions in HOMA-IR with HTD1801. Collective results from our Phase Ib T2DM trial, Phase II T2DM trial and Phase IIa MASH and T2DM trial suggest that HTD1801 has broad efficacy on glucose homeostasis, other cardiometabolic markers and liver health, supporting a differentiated profile compared to other anti-diabetic agents.

- In March 2025, we published data from a Phase II study evaluating HTD1801 for treating T2DM in JAMA Network Open. The randomized, placebo-controlled 12-week study demonstrated that HTD1801 was generally well tolerated and had comprehensive beneficial therapeutic effect in improving glycemic, hepatic and cardiometabolic parameters. The multifaceted effects demonstrated by HTD1801 support this new molecular entity as a unique oral treatment option for T2DM and its comorbidities.

- In addition to this primary publication, in 2024 the data from this trial was presented at global conferences.

- At the 60th European Association for the Study of Diabetes (EASD) Annual Meeting held in September 2024, two post-hoc analyses for the T2DM Phase II clinical study were presented, focusing on the efficacy of HTD1801 in Chinese and Western Patients with T2DM and the effects of HTD1801 response based on degree of insulin resistance. Key messages from these EASD 2024 presentations are as follows:

  – HTD1801 improves glycemic, cardiometabolic, and hepatic outcomes in both Chinese and Western patients with T2DM and/or MASH. Despite ethnic differences and distinct disease presentations, HTD1801 provides holistic benefits that effectively address core aspects of both T2DM and MASH.

  – HTD1801 can alleviate the metabolic inhibitory effects caused by hyperinsulinemia, leading to even greater hepatic and metabolic benefits in patients with more severe insulin resistance, offering a unique therapeutic approach for individuals with T2DM and/or MASH.

- At the American Diabetes Association's (ADA) 84th Scientific Session held in June 2024, a post-hoc analysis from the Phase II T2DM study presented the effectiveness of HTD1801 in patients with T2DM across the disease spectrum based on baseline HbA1c. Regardless of baseline disease severity, HTD1801 treatment resulted in significant improvements in key glycemic and lipid metabolism markers, as well as indicators of liver injury with a greater improvement in subjects with more severe disease. Such data suggests HTD1801 may offer a unique therapeutic approach for individuals with T2DM and other comorbidities (i.e. MASH and dyslipidemia), as managing these conditions effectively is crucial in controlling T2DM and reducing its associated complications.

- The patient enrollments of the two Phase III registration trials of HTD1801 for the treatment of T2DM (SYMPHONY-1 and SYMPHONY-2) have been completed in June 2024.

- The patient enrollment of the dapagliflozin-controlled Phase III clinical trial of HTD1801 for the treatment of T2DM (HARMONY) has been completed in January 2025. The head-to-head non-inferiority trial is a randomized, double-blind, active parallel-controlled (dapagliflozin), multicenter Phase III clinical trial designed to evaluate the efficacy of HTD1801 versus dapagliflozin in adult subjects with T2DM inadequately controlled with metformin alone. The primary efficacy endpoint is the change in hemoglobin A1c relative to baseline after 24 weeks of treatment.

- SYMPHONY trials have met their primary endpoints and conducted data readout in April 2025. HARMONY trial is expected to have data readout in second half of 2025.

- NDA of T2DM trial is expected to be submitted by end of 2025.

PSC

- PSC is a rare, chronic cholestatic liver disease characterized by intrahepatic and extrahepatic bile duct injury. Inflammation and fibrosis of the bile ducts lead to structural damage, impaired bile flow and progressive liver dysfunction. PSC has been identified by the European Association for the Study of the Liver as one of the largest unmet clinical needs in the category of liver disease. HTD1801 is precisely engineered to target the disease's complex pathogenic mechanisms through a multifunctional synergistic approach.

- HTD1801 provides a unique and comprehensive treatment of the gut-liver-biliary system, acting through multiple mechanisms to address the complex pathogenesis of PSC, including a choleretic effect achieved by displacing toxic bile acids from the bile acid pool and a variety of anti-inflammatory effects. In addition, HTD1801 treatment has demonstrated positive changes in the gut microbiome, an important contributor to the pathogenesis of PSC.

- We completed a Phase II clinical trial of HTD1801 for PSC in the United States and Canada in August 2020, with the HTD1801 treatment group demonstrating a statistically significant reduction in serum alkaline phosphatase, a key biomarker indicating the presence of cholestatic liver disease, compared to the placebo group. HTD1801 treatment was also associated with improvements in markers of liver injury and inflammation. In addition to its efficacy profile, HTD1801 demonstrated a good safety profile in this patient population including liver-related safety. HTD1801 has been granted FTD and ODD from FDA for the treatment of PSC, which allows for expedited regulatory review. We had also held a successful end of Phase II (EOP2) meeting with FDA and was permitted to commence Phase III clinical trial.

SHTG

- SHTG is the presence of high levels of triglycerides, a type of fat, in the blood. SHTG is well known to be associated with other complex and serious disorders such as acute pancreatitis and CVDs. Existing pharmacological interventions primarily include the use of fibrates, omega-3 fatty acids, statins and niacin, but these treatment options either have limited efficacy or are associated with safety concerns. It is clear that there remains a medical need for safe and effective therapies for the treatment of adult patients with SHTG, therapies that address not only triglycerides levels but also comorbid conditions.

- For SHTG, preclinical studies demonstrated that HTD1801 could improve lipids in hamster models of dyslipidemia and MASLD. In addition, in a pooled analysis of clinical studies of MASH and hypercholesterolemia, focusing on subjects with baseline TGs above 200 mg/dL (hypertriglyceridemia), treatment with HTD1801 was associated with clinically meaningful reductions in TG levels, which supports the therapeutic potential of HTD1801 in SHTG.

- We have completed Phase I clinical trial in healthy subjects in Australia. We will continue to evaluate the clinical progress of HTD1801 and, taking into account the overall strategy and resources allocation of the Group, assess the timeframe of initiating the Phase II clinical trial of HTD1801 for the treatment of SHTG.

HTD4010

- Building on our expertise in the development of HTD1801, we have also invested in and developed our pipeline to cover AH, obesity, IBD and other metabolic diseases to address large unmet medical needs of other patient populations. For the treatment of AH, we are advancing the early clinical development of HTD4010. AH is one of the manifestations from alcohol-associated liver disease characterized by acute liver inflammation.

- Our HTD4010 is a Phase I clinical-stage, polypeptide drug for the treatment of complex, life-threatening diseases such as AH, which is caused by chronic heavy alcohol abuse or a sudden, drastic increase in alcohol consumption. It is characterized by severe inflammation and, ultimately, liver failure and death. HTD4010 is a Toll-like receptor 4 inhibitor potentially capable of modulating the innate immune response and the resulting liver inflammation, a major contributor to AH pathogenesis. The Company plans to present preclinical findings highlighting HTD4010's therapeutic potential at major international scientific conferences in 2025, including the EASL Congress and Digestive Disease Week (DDW).

HTF1037

- HTF1037 is a preclinical-stage, potentially best-in-class mitochondrial uncoupler with a mechanism of elevating energy expenditure for the treatment of obesity and comorbidities as a monotherapy or combination with a GLP-1RA or other calorie restriction approach. In preclinical studies, HTF1037 demonstrated muscle sparing weight loss along with many other metabolic benefits, including improvement of liver health (reductions in liver total cholesterol and triglyceride, NAS, AST, ALT), deceased of fasting insulin/glucose levels, as well as reactive oxygen species (ROS). It also demonstrated type I muscle adaptation with muscle endurance functional improvement. In combination with Semaglutide, HTF1037 showed additive weight loss and reversed muscle loss due to Semaglutide mono-therapy and suppressed weight rebound after cessation of treatment with Semaglutide. Preclinical safety evaluations suggested acceptable margin of safety for projected human efficacious exposure.

HTF1057

- HTF1057 is a preclinical-stage mitochondria uncoupler being developed as a drug candidate for the treatment of neurodegenerative diseases. In preclinical studies, HTF1057 has demonstrated significant neuroprotection effects, including improvements in behavior deficits, rescue neuron loss induced by toxin lesion, and suppress in microglial cells and astrocytes activation. Additionally, HTF1057 increased brain derived neurotrophic factor (BDNF) levels. These findings support its potential as a therapeutic agent for PD.

HTD1804

- An additional drug candidate, HTD1804, is under evaluation for the treatment of obesity, which is a growing global health risk associated with a wide range of comorbidities, most notably CVDs and T2DM.

- Our HTD1804 is a preclinical-stage, small molecule multifunctional therapy for the treatment of obesity, a growing global health risk associated with a wide range of comorbidities, most notably CVDs and T2DM. Preclinical studies have shown that HTD1804 may be an important modulator of energy metabolism to provide cardiovascular protection, and can effectively reduce the body weight of animals with obesity as well as lipid- and glucose-lowering effects.

HTD1805

- HTD1805, another drug candidate in our pipeline, is a preclinical-stage, multifunctional small molecule drug for the treatment of metabolic diseases. HTD1805 is prepared with the similar design rational as HTD1801, and the efficacy and safety profiles of the active moieties forming demonstrate the potential of HTD1805 in treating various metabolic diseases.

HTD2802

- Our HTD2802 is a preclinical-stage, multifunctional drug for the treatment of IBD, a common GI tract disorder. The existing IBD drugs fail to adequately control the symptoms and complications in many patients. In preclinical studies, HTD2802 has shown positive effects on improving stool formation, relieving abnormal weight loss and reducing the occurrence of fecal occult blood, as well as reducing inflammatory cytokine levels and preventing pathological injury.

Looking forward, we will continue to advance our pipeline of drug candidates through clinical development and continue to seek to expand indication coverage of our pipeline. With respect to commercialization, based on the expected approval timeline of each indication of HTD1801 in our pipeline, we expect to file an NDA submission for HTD1801 for T2DM by the end of 2025. In anticipation of the upcoming milestone, we are actively seeking domestic partners with a strong commercialization network and expertise in T2DM. Subject to our global clinical development plan, we also plan to commercialize HTD1801 for MASH, T2DM, SHTG and PSC in multiple jurisdictions, including but not limited to the United States, European Union and China.

THERE IS NO ASSURANCE THAT WE WILL BE ABLE TO ULTIMATELY DEVELOP AND MARKET ANY OF OUR PIPELINE PRODUCTS SUCCESSFULLY.

RESEARCH AND DEVELOPMENT CAPABILITY

We believe that our continued R&D is the key driver of our business growth and competitiveness.

Our R&D team has strong expertise, deep understanding, and broad development experience in metabolic and digestive diseases. Our R&D team is generally responsible for the global development of our pipeline products. For our internally discovered and developed drug candidates, we conducted drug discovery, quality assurance and clinical activities including: (i) coordinating all clinical development activities; (ii) designing the key aspects of the clinical studies; (iii) designing and coordinating the selection process for qualified CROs to assist in engaging clinical sites and coordinating clinical studies once commenced; (iv) supervising the clinical studies; and (v) overseeing extensive regulatory outreach and coordination in China and other jurisdictions. Our R&D team is led by a team of world-class scientists with years of drug development experience.

We have worked on our product candidates' advancement for more than ten years and developed product candidates in-house. Our drug discovery team members have expertise in biology, medicinal chemistry, drug metabolism and pharmacokinetics, chemistry and early clinical areas, which support our product development.

The clinical development team consisted of scientists and physicians with strong drug development experience, who participate in clinical development strategy development, clinical trial protocol design, clinical trial operation organization, drug safety monitoring, and clinical trial quality control. Our clinical development staff represent a highly skilled and experienced team of professionals who work collaboratively to design and execute complex clinical trials and drug development programs. Our core capabilities in the area of development include clinical trial design, regulatory and quality compliance, project management, clinical operations, medical writing, safety monitoring and drug development strategy. Our team has the expertise to design clinical trials that are rigorous and compliant with regulatory requirements. This involves collaborating internally, with experts and regulatory authorities to determine the appropriate patient population, defining endpoints, and selecting appropriate control groups. The clinical development unit of our Company manages all stages of clinical trials, including protocol design and oversees, operations/conduct, and the collection and analysis of clinical data.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this annual report.

Other Income

Our other income increased by RMB33.8 million from RMB34.2 million for the year ended December 31, 2023 to RMB68.0 million for the year ended December 31, 2024, representing an increase of 98.8%. The increase in the other income was primarily because of an increase of approximately RMB28.5 million in government grants.

Fair Value Losses on Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares decreased from a loss of RMB522.2 million for the year ended December 31, 2023 to nil for the year ended December 31, 2024. The changes in 2023 are non-recurring after the completion of the Listing of the ordinary Shares on the Main Board of the Stock Exchange on the Listing Date as all of the Company's preferred shares were converted to ordinary shares upon the Listing Date.

Other Gains and Losses, Net

We recorded other losses of RMB2.6 million for the year ended December 31, 2023, as compared to other losses of RMB3.2 million for the year ended December 31, 2024, which was primarily attributable to fair value losses on financial assets at FVTPL of approximately RMB6.1 million and foreign exchange gains of approximately RMB3.1 million in 2024.

Research and Development Costs

Our research and development costs primarily consist of (i) third-party contracting expenses primarily including early stage discovery expenses, preclinical expenses, and clinical development expenses for our drug candidates; (ii) staff costs, primarily consisting of salaries and benefits for our R&D team; (iii) expenses under the employee long-term incentive plans, representing expenses associated with share options granted to our R&D team; and (iv) others, primarily including rental, depreciation and amortization in relation to fixed assets, right-of-use assets and raw materials.

Our research and development costs increased by 16.7% from RMB311.6 million for the year ended December 31, 2023 to RMB363.5 million for the year ended December 31, 2024. The increase was mainly attributable to an increase of approximately RMB60.7 million in third-party contracting expenses.

The following table sets forth a breakdown of our research and development costs for the years indicated:

	Year ended December 31,			
	2024		2023	
	RMB'000	***%***	*RMB'000*	*%*
Third-party contracting expenses	**263,913**	**73**	203,258	65
Staff costs	**35,350**	**10**	39,288	13
Expenses under the employee long-term incentive plans	**56,708**	**15**	59,711	19
Others	**7,554**	**2**	9,310	3
Total	**363,525**	**100**	311,567	100

Administrative Expenses

Our administrative expenses decreased by 40.6% from RMB136.7 million for the year ended December 31, 2023 to RMB81.2 million for the year ended December 31, 2024. The decrease in administrative expenses was primarily attributable to the decrease in professional service fees.

Finance Costs

Our finance costs were RMB1.5 million for the year ended December 31, 2024, as compared to RMB400,000 for the year ended December 31, 2023. Our finance costs primarily consist of interest on interest-bearing bank borrowings and lease liabilities. The increase in finance costs was primarily attributable to the increase of RMB0.7 million in interest on lease liabilities.

Loss for the Year

As a result of the above, we recorded a loss of RMB381.8 million for the year ended December 31, 2024, as compared to RMB939.3 million for the year ended December 31, 2023.

Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize value to the Shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to the Shareholders or issue new Shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

Liquidity and Capital Resources

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

As of December 31, 2024, the current assets of the Group were RMB513.4 million, of which cash and cash equivalents amounted to RMB310.8 million and other current assets amounted to RMB202.6 million. The Group's cash and cash equivalents decreased by 48.9% from RMB608.2 million as at December 31, 2023 to RMB310.8 million as at December 31, 2024. The decrease was mainly due to expenditure on research and development cost. As at December 31, 2024, cash and bank balances were mainly denominated in United States dollars, Renminbi and Hong Kong dollars.

As of December 31, 2024, the current liabilities of the Group were RMB109.9 million, including trade payables of RMB51.5 million, interest-bearing bank borrowings of RMB46.9 million, other payables and accruals of RMB6.0 million and lease liabilities of RMB5.5 million.

Bank Borrowings

As of December 31, 2024, the Group had outstanding interest-bearing bank borrowings of approximately RMB56.9 million (December 31, 2023: RMB3.5 million) which were denominated in RMB and bearing interest on commercial bank borrowings at fixed annual interest rates ranging from 3.2% to 3.7%.

Charges on Group Assets

As of December 31, 2024, there were no charges on assets of the Company (December 31, 2023: nil).

Key Financial Ratios

The following table sets forth the key financial ratios for the dates indicated:

	As at December 31,	
	2024	2023
Gearing Ratio [(1)]	**13.4%**	0.5%
Current Ratio [(2)]	**4.7**	9.8

Notes:

(1) Equals bank loans and other borrowings divided by total equity as of the same date.

(2) Equals current assets divided by current liabilities as of the same date.

Significant Investments

During the year ended December 31, 2024, the Group held investments through two structured entities, Apollo Multi-Asset Growth Fund and Chaince Capital Fund LP (together the "**Funds**"), that the Group invested with initial capital contribution of US$12.5 million each. Such investments were made before the Listing Date. As at December 31, 2024, the underlying assets purchased by Apollo Multi-Asset Growth Fund and Chaince Capital Fund LP mainly included listed equity investments, treasury bills and money market funds, which were classified as financial instruments at FVTPL of RMB130.5 million and RMB49.3 million (representing 23.3% and 8.8% of the Group's total assets as at December 31, 2024), respectively. The listed equity investments are non-principal guaranteed with floating return. During the year ended December 31, 2024, the underlying assets purchased by the Funds generated an investment income of approximately RMB11.2 million.

Save as disclosed above, the Group did not have any significant investments and did not have other plans for significant investments or capital assets as at the date of this annual report.

With regards to significant investments, the Company has formulated prudent investment strategy of diversifying risks and generating steady returns on the premise of ensuring the safety of funds. The Company has ensured and will ensure that there remains sufficient working capital for its business needs, operating activities, research and development and capital expenditures after making the significant investments. The investment decisions were and will be made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2024.

Contingent Liabilities

The Group did not have any material contingent liabilities as at December 31, 2024.

Capital Expenditure and Commitments

Our capital expenditure for the year ended December 31, 2024 was RMB4.3 million, compared to RMB0.8 million for the year ended December 31, 2023. The increase was primarily attributable to increase in leasehold improvements. Our capital expenditure primarily consisted of the purchase of (i) machinery and equipment, (ii) furniture, fittings and equipment and (iii) leasehold improvements.

As of December 31, 2024 and December 31, 2023, the Group had capital commitments contracted for but not yet provided of nil and RMB2.6 million, respectively, primarily in connection with leasehold improvements.

Foreign Currency Risk

We have transactional currency exposures. Our Group's transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Certain of our cash and bank balances and trade and other payables are denominated in non-functional currency of the Company and exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Non-IFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from year to year by eliminating potential impacts of certain non-operational or one-off expenses that do not affect our ongoing operating performance, including changes in fair value of convertible redeemable preferred shares, expenses under the employee long-term incentive plans and listing expenses. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. Changes in fair value of convertible redeemable preferred shares represent the changes in fair value of various rights associated with the preferred shares, which is non-recurring and non-operational in nature. Expenses under the employee long-term incentive plans are non-operational expenses arising from granting options to selected directors, employees and consultants of the Company, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities. With respect to share awards, determining its fair value involves a high-degree of judgment. Historical occurrence of expenses under the employee long-term incentive plans is not indicative of any future occurrence. Listing expenses are one-off expenses in relation to the Listing. Therefore, we do not consider changes in fair value of convertible redeemable preferred shares, expenses under the employee long-term incentive plans and Listing expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results.

The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation of net loss for the year to our adjusted net loss for the years indicated:

	2024 ***RMB'000***	2023 *RMB'000*
Net loss for the year	**(381,788)**	(939,306)
Added:		
Fair value changes on convertible redeemable preferred shares	**–**	522,160
Expenses under the employee long-term incentive plans	**96,932**	93,493
Listing expenses	**–**	35,210
Adjusted net loss	**(284,856)**	(288,443)

Employees and Remuneration Policy

As at December 31, 2024, we had 70 employees in total. The following table sets forth the number of our employees categorized by function as of December 31, 2023 and December 31, 2024.

	Number of employees as at December 31, 2024	Number of employees as at December 31, 2023
Discovery and Clinical Development	**43**	40
Regulatory Affairs	**6**	5
Management Operations	**21**	21
Total	**70**	66

The total employee benefit expense (excluding Directors' and chief executive's remuneration) incurred by the Group was RMB108.2 million for the year ended December 31, 2024 (2023: RMB116.3 million). The decrease in remuneration cost was primarily attributable to the decrease in wages and salaries.

Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions, and other welfare payments. We have made contributions to our employees' social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds pursuant to applicable laws and regulations.

To maintain our workforce's quality, knowledge, and skill levels, we provide continuing education and training programs, including internal training, to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects. Furthermore, we provide various incentives and benefits to our employees, including competitive salaries, bonuses and share-based payment, particularly our key employees.

The Company has adopted share incentive plans on January 22, 2020 and May 24, 2023, respectively. For further details, please refer to the paragraph headed "D. Incentive Plans" in Appendix IV to the Prospectus.

DIRECTORS' REPORT

The Board is pleased to present this Directors' report 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. LIU Liping (劉利平) (*Chairwoman of the Board and chief executive officer of the Company*)
Ms. YU Meng (于萌)

Non-executive Directors

Dr. ZHU Xun (朱迅)
Mr. MA Lixiong (馬立雄) *(Deputy Chairman of the Board with effect from March 28, 2025)*
Mr. JIANG Feng (江峰)
Mr. LI Li (李鋰) (*resigned with effect from February 2, 2024*)

Independent Non-executive Directors

Mr. TAN Bo (譚擘)
Dr. Jin LI (李靖)
Mr. HUNG Tak Wai (孔德偉)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is involved in research and development of pharmaceutical products.

The principal activities and particulars of the Company's subsidiaries are shown under Note 1 to the financial statements. An analysis of the Group's results for the year ended December 31, 2024 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

Since all of the Group's non-current assets were located in China, no geographical segment information in accordance with IFRS 8 Operating Segments is presented. The Group is engaged in biopharmaceutical research and development, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Period" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. 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. For instance, the in-house facilities of the Group operate in compliance with the relevant environmental rules and regulations. The Group reviews its environmental policies on a regular basis.

Further details of the Company's environmental policies and performance are disclosed in the ESG report of the Company for the year ended December 31, 2024 (the "**ESG Report**"), which shall be published separately.

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, details of which could be referred to the section headed "Regulatory Overview" in the Prospectus. The Group has compliance policies and procedures in place and would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the year ended December 31, 2024, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES

As at December 31, 2024, the Group had a total of 70 (2023: 66) employees and the total staff costs for the Reporting Period (including Directors' emoluments, excluding expenses under the employee long-term incentive plans) were RMB48.6 million (2023: RMB55.6 million). Remuneration of our employee is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, bonuses, provident funds, social security contributions, and other welfare payments.

During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. To maintain our workforce's quality, knowledge, and skill levels, we provide continuing education and training programs, including internal training, to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. During the year ended December 31, 2024, under the PRC retirement benefits scheme, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. No forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

The Company's subsidiary in the U.S. maintains multiple qualified contributory savings plans as allowed under Internal Revenue Code section 401(k) in the U.S. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the Company's subsidiary in the U.S. with respect to the retirement benefits plans is to make the specified contributions under the plans. During the year ended December 31, 2024, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. No forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

In addition, the Group has four employees who are required to participate in the Mandatory Provident Fund in Hong Kong. Under the Mandatory Provident Fund scheme participated by the Group (the "**MPF Scheme**"), the Group is required to make contributions at 5% of the employees' relevant income, capped at HK$1,500 per month. The Group's employer contributions vest fully when contributed into the MPF Scheme. During the year ended December 31, 2024, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. No forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

Details of the pension obligations of the Company are set out in Note 2.4 to the financial statements in this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2024 are set out in Note 24 to the financial statements contained herein. For the year ended December 31, 2024, the Company conducted the following continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules.

Non-Exempt Continuing Connected Transaction under the HTD1801 Agreement

As at the date of this report, Hepalink is a substantial shareholder of the Company, and Mr. LI Li, who resigned as a non-executive Director with effect from February 2, 2024, is interested in approximately 62.90% of Hepalink's shares. Therefore, Hepalink is a connected person of the Company.

Principal Terms of the Transaction

The Company entered into the HTD1801 Agreement with Hepalink on August 29, 2020, pursuant to which the Company has granted Hepalink an exclusive, sublicensable (solely to Hepalink's wholly-owned subsidiaries) and non-transferable license under certain intellectual property rights and know-how in relation to HTD1801 for the commercialization of the therapeutic products containing HTD1801 (the "**Licensed Products**") for the NASH indication and PSC indication in all European countries specified therein (the "**Licensed Territories**"). Hepalink also has the first right to acquire or obtain on the same terms as those offered by a third party the rights to any intellectual property rights and know-how in relation to the Licensed Products in Greater China in the event that the Company proposes to sell or transfer to a third party its title and interest in the intellectual properties and know-how in relation to HTD1801 for such Greater China territory. For further details, please see the section headed "Business – Collaboration Agreement – HTD1801 License-Out Agreement" in the Prospectus. In consideration of the rights granted to Hepalink, Hepalink is required to make various milestone and royalty payments to the Company as follows:

Milestone payment:

Hepalink is required to pay the Company milestone payment in cash in an amount of (i) RMB50.0 million no later than five business days from the date of the new drug application of HTD1801 for NASH indication obtaining the first marketing authorization in any one of the specified Licensed Territories; (ii) RMB50.0 million no later than one year after the approval of such marketing authorization; (iii) RMB30.0 million no later than five business days from the date of the new drug application of HTD1801 for PSC indication obtaining the first marketing authorization in any one of the specified Licensed Territories; and (iv) RMB30.0 million no later than one year after the approval of such marketing authorization.

During the year ended December 31, 2024, no milestone payment was made by Hepalink to the Company.

Royalty payment:

Hepalink is required to pay the Company royalty payments in cash for the sales of the Licensed Products based on annual net sales in the Licensed Territories.

During the year ended December 31, 2024, no royalty payment was made by Hepalink to the Company.

Expected milestone payment:

The expected milestone payment to be paid by Hepalink to the Company pursuant to the HTD1801 Agreement will be nil and nil for 2025 and 2026, respectively, taking into account the uncertainties on the precise timing of the milestone event triggering the milestone payment (i.e. the first marketing authorization being obtained for HTD1801 for NASH indication or PSC indication).

Formula for royalty payment:

The annual amount for royalty payment to be paid by Hepalink to the Company pursuant to the HTD1801 Agreement for 2024, 2025 and 2026 will be determined in accordance with the following formula:

Annual cap for royalty payment = 25% × annual net sales of the relevant products

The "annual net sales" means in one year, the total amount of the sale or other disposal or transfer of the Licensed Products by Hepalink in the Licensed Territory, less actual payments or allowances made in accordance with the applicable laws and regulations in the Licensed Territory and the Chinese Accounting Standards for Business Enterprises in relation to the sale of the Licensed Products which include (a) commercial discounts; (b) freight, transportation, insurance, postage and import taxes and duties; (c) credits, rebates, discounts, chargebacks, retroactive price reductions and adjustments, and amounts due to returns, recalls, or refunds; (d) commissions paid to third party purchasers in connection with the importation, distribution or advertising of Licensed Products; (e) sales tax, excise tax and value-added tax (other than general income tax) levied on the invoice amount; and (f) taxes, duties and other governmental charges levied or measured on the import, export, use, manufacture or sale of Licensed Products.

The HTD1801 Agreement was entered into on August 29, 2020 and will remain effective until the expiration of the latest applicable royalty term as further explained below. The expected expiration dates for existing intellectual properties in the European Union, United Kingdom or Switzerland will be 2035. The royalty term commences upon the first commercial sales of the Licensed Products in the Licensed Territories, and ends on the later of (i) the expiration of the last-to-expire valid claim within the existing intellectual properties and know-how and the new intellectual properties, including all of the data, results, information, documents, know-how, intellectual properties, clinical trial data, manufacturing technology and design, supply information, regulatory filings and packaging of development, registration and production relating to the Licensed Products in the European Union, United Kingdom or Switzerland within the Licensed Territories; or (ii) the expiration of all regulatory exclusivity, including market exclusivity (the period of exclusive right to market and sell the Licensed Product within the Licensed Territories, during which an application for a new drug based on published data or containing an identical active ingredient is not acceptable) or data exclusivity (the period of protection to clinical data in relation to Licensed Products, during which the clinical data cannot be accessed by third parties), granted for the Licensed Products in the European Union, United Kingdom or Switzerland as within the Licensed Territories, with an exception that the royalty term would be earlier terminated immediately after the entry of a generic product of the Licensed Products into the European Union as part of the Licensed Territories. We have not yet applied for orphan designation from the EMA for the PSC indication of HTD1801. For more details of orphan designation by the EMA, please see "Regulatory Overview – Laws and Regulations in the United States and EU – Orphan Drugs" of the Prospectus. The HTD1801 Agreement may also be terminated earlier by mutual agreement in writing, or (a) by the Company if Hepalink materially breaches the payment terms of the HTD1801 Agreement and such breach cannot be cured within one month upon receiving notice from the Company; (b) by the Company for Hepalink's failure to initiate the commercialization of Licensed Products in a Licensed Territory within one year after the first marketing authorization has been obtained in such License Territory is obtained; (c) by the Company if Hepalink, directly or indirectly, commences, engages in or participates in any proceedings of challenging the Company's patents licensed to Hepalink under the HTD1801 Agreement, or intentionally or knowingly assists with or acquiesces in the commencement of such challenges; (d) by the Company if Hepalink fails to acquire and maintain the required insurance policy; or (e) by either party upon the dissolution or bankruptcy of the other party.

Reasons for and Benefits of the Transaction

The Company has a long-term strategic cooperative relationship with Hepalink, which is a major pharmaceutical company. Due to Hepalink's strong presence in Europe, the Company believes it would be more cost effective and efficient to license the commercialization of the Licensed Products in the Licensed Territories to Hepalink. By leveraging Hepalink's strong sales force established in Europe, its advantageous position in market share in the relevant jurisdictions and its established track record of sales of similar pharmaceutical products in the European pharmaceutical market, the Company believes Hepalink will be able to successfully promote the commercialization of the Licensed Products in the Licensed Territories, which is consistent with our long term operational strategies.

The royalty payment is a revenue sharing arrangement which was determined after arm's length negotiations between us and Hepalink. CIC has confirmed that the HTD1801 Agreement entered into by the Company and Hepalink is in line with the industry practice. Taking into consideration of the above, the Company believes that the HTD1801 Agreement is in the interest of the Company and its Shareholders as a whole.

Historical Amount

As HTD1801 has not been commercialized in the Licensed Territories and it is currently at clinical stage, there are no fees received under the HTD1801 Agreement. For the three years ended December 31, 2022, 2023 and 2024, there were no fees paid by Hepalink to the Company under the HTD1801 Agreement.

Corporate Governance Measures

During the ordinary and usual course of business of our Company, we review potential product licensing opportunities, including product in-licensing and out-licensing, from time to time. When potential opportunity arises, we would normally assess the advantages and development prospect of the product, market forecasts for the demand of the product, competitive landscape and regulatory requirements of the product for that market as well as the regulatory and commercial capability of the potential business partner to commercialize the product. Furthermore, our business development team routinely evaluates licensing arrangement by third parties with similar mechanism of action for deal benchmarking and for term sheet evaluation purposes.

In addition, the commercial negotiations with potential licensing partners are led by our senior management, who are not interested in the licensing and will independently evaluate the terms taking into account all relevant factors as we consider necessary. A decision on whether to enter into licensing arrangements with another company will be made purely based on commercial considerations and only if we consider it is in the best interest of our Company and the Shareholders to enter into such licensing arrangement.

Listing Rule Implications

Although the revenue ratio and the profit ratio are not applicable given that the Company is a pre-revenue biopharmaceutical company, the highest applicable percentage ratio in respect of each of the caps as the Company currently expects is, on an annual basis, more than 5%. As such, the transactions under the HTD1801 Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waivers from Strict Compliance with Contractual Term Requirements and Annual Cap Requirements

Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for us to set a contractual term not exceeding three years in respect of the HTD1801 Agreement.

Under Rule 14A.53 of the Listing Rules, the listed issuer must set an annual cap for the continuing connected transactions. The Directors believe that strict compliance with the requirements of Rule 14A.53 of the Listing Rules for setting a fixed monetary annual cap in respect of the HTD1801 Agreement is impracticable and not in the best interests of the Shareholders.

The Company has applied to the Stock Exchange for, and Stock Exchange has granted the waiver from strict compliance with the requirement under Rule 14A.52 and Rule 14A.53 of the Listing Rules in respect of the continuing connected transaction under the HTD1801 Agreement subject to the following conditions:

(1) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the HTD1801 Agreement;

(2) the Company will designate a team to execute and ensure that the transactions in relation to the HTD1801 Agreement are undertaken in accordance with the terms therein;

(3) the chief executive officer of the Company will use her best endeavours to supervise the compliance with the terms of the HTD1801 Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

(4) the independent non-executive Directors and the auditors of the Company will review the transactions in relation to the HTD1801 Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

(5) the Company will disclose in the Prospectus the background for entering into the HTD1801 Agreement, the terms of the HTD1801 Agreement, the grounds for the waiver sought and the Directors' and Joint Sponsors' views on the fairness and reasonableness of the transactions under the HTD1801 Agreement; and

(6) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the Prospectus on the above continuing connected transaction, the Company will take immediate steps to ensure compliance with such new requirements.

The waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules is for a term of three years ending on December 31, 2025. When there is visibility with the timing and amounts payable under the HTD1801 Agreement, the Company will, after taking into account, among other things, the addressable market, the drug pricing and the historical transaction amount of the relevant products, re-assess whether a further waiver is required at the expiry of such initial term.

Transaction amount during the Reporting Period

There was no transaction taken place under the HTD1801 Agreement during the Reporting Period, and therefore no confirmation shall be provided by the auditors of the Company and the independent non-executive Directors with respect thereof for the Reporting Period pursuant to Rules 14A.55 and 14A.56 of the Listing Rules.

As the Stock Exchange has granted the Company a waiver under Rule 14A.53 of the Listing Rules from strict compliance with the annual cap requirements, there is no fixed monetary annual cap for the continuing connected transaction under the HTD1801 Agreement.

Save as disclosed above, none of the related party transactions disclosed in Note 24 to the financial statements contained herein constitute any connected transaction or any continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No revenue was derived during the Reporting Period. Therefore, no information about major customer is presented.

For the year ended December 31, 2024, purchases from the Group's five largest suppliers accounted for approximately 36.7% (2023: 44.5%) of the Group's total purchase amount. The Group's largest supplier for the year ended December 31, 2024 accounted for approximately 12.5% (2023: 19.2%) of the Group's total purchase 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 capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2024, the Group did not experience any significant disputes with its suppliers.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers, and other stakeholders to meet its immediate and long-term goals. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders. An account of the Company's key relationships with its employees and suppliers and others that have a significant impact on the Company is set out in the ESG Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- The Core Product may fail to meet the primary and secondary endpoints at the late-stage clinical trials due to higher clinical development risks.
- Clinical drug development involves a lengthy and expensive process with uncertain outcomes, and we may be unable to commercialize our drug candidates at all.
- We may incur additional costs or experience delays in completing, or may ultimately be unable to complete, the development and commercialization of our drug candidates.
- We work with third parties to manufacture a portion of our drug candidates for clinical development and commercial sales. Our business could be harmed if those third parties fail to deliver sufficient quantities of products or fail to do so at acceptable quality levels or prices.

- We could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

- The market size of our drug candidates might be smaller than we expected.

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.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years, is set out on page 144 of this annual report. This summary does not form part of the audited consolidated financial statements.

ADVANCE TO ENTITY PROVIDED BY THE COMPANY

During the year ended December 31, 2024, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

BREACH OF LOAN AGREEMENT

During the year ended December 31, 2024, the Company had not breached any terms of its loan agreements for loans that are significant to its operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

During the year ended December 31, 2024, the Company had not provided any financial assistance and guarantees to affiliated companies of the Company which is subject to disclosure requirements under Rule 13.22 of the Listing Rules.

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 OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2024 are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2024 are set out in Note 22 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the Reporting Period, the Company did not make any donations (2023: Nil).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2024 (2023: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2024 (2023: Nil).

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2024 are set out on pages 76 to 136 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2024 (2023: Nil).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision is currently in force and has been in force for the year ended December 31, 2024. The Company has taken out liability insurance to provide appropriate coverage for the Directors and other senior staff.

RESERVES

Details of the movements in the reserves of the Company during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity in this annual report. As at December 31, 2024, the Company had no reserves available for distribution under the provisions of the Companies Act (As Revised) of the Cayman Islands.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group (including the maturity profile of borrowings and committed banking facilities) as at December 31, 2024 are set out in this annual report and Note 20 to the financial statements. There is no material seasonality of borrowing requirements for the Group.

USE OF NET PROCEEDS FROM THE LISTING

The total net proceeds from the issue of shares by the Company in its Listing amounted to approximately HK$194.1 million, after deducting the underwriting commission and other expenses payable by the Company in connection with the Listing. During the Reporting Period, the net proceeds were used according to the intentions previously disclosed by the Company in the Prospectus. The balance of unutilized net proceeds amounted to approximately HK$132.2 million as at the end of the Reporting Period and the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

	Use of proceeds in the same manner and proportion as stated in the Prospectus *HK$ in million*	Net proceeds unutilized as at the beginning of the Reporting Period *HK$ in million*	Actual use of proceeds as at the end of the Reporting Period *HK$ in million*	Net proceeds unutilized as at the end of the Reporting Period *HK$ in million*	Expected timeframe for utilizing the remaining unutilized net proceeds*Note*
Approximately 80.0% to fund the continuing clinical research and development activities of our HTD1801	155.2	155.2	59.9	95.3	December 2025
Approximately 5.0% to fund the ongoing research and development including R&D personnel costs and third party contracting expenses for HTD1804 for obesity	9.7	9.7	0.2	9.5	December 2025
Approximately 10.0% for the early drug discovery and development of other drug candidates from continuously upgrading and enhancing our FUSIONTX™ development approach	19.5	19.5	1.8	17.7	December 2025
Approximately 5.0% for working capital and other general corporate purposes	9.7	9.7	–	9.7	December 2025
Total	194.1	194.1	61.9	132.2	

Note: The expected timeframe for utilizing the remaining unutilized net proceeds is based on the best estimation of the factual business needs and future business development of the Group. It will be subject to change based on the current and future developments of market conditions and future business needs of the Group.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors, Dr. LIU Liping and Ms. YU Meng, has entered into a service contract with our Company, under which the initial term of their service contract shall commence from the Listing Date and continue for a period of three years after or until the third annual general meeting of our Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing. Pursuant to the service contracts entered into with us, none of our executive Directors will receive any remuneration as director's fee.

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company on December 11, 2023. The initial term for their appointment letters shall commence from the Listing Date and continue for a period of three years after or until the third annual general meeting of our Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Pursuant to the appointment letters entered into with us, save and except Dr. ZHU Xun and Mr. MA Lixiong, none of our non-executive Directors will receive any remuneration as director's fee. Pursuant to the appointment letters dated March 28, 2025 entered into with the Company, Dr. Zhu and Mr. Ma will receive an annual remuneration of HK$400,000 and HK$600,000, respectively, as director's fee starting from March 28, 2025. Each of our independent non-executive Directors will receive an annual director's fee of HK$200,000.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, 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 has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the year ended December 31, 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2024, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2024 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S 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 or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held(1)	Approximate percentage of Shares in issue(2)
Dr. LIU Liping(6)	Founder of a discretionary trust(3)	81,000,000 (L)	15.74%
	Interest held through voting powers entrusted by other persons(4)	18,856,466 (L)	3.66%
	Beneficial interest(5)	10,004,964 (L)	1.94%
Mr. MA Lixiong	Interest in controlled corporation(7)	30,194,154 (L)	5.87%
	Beneficial interest(8)	5,926,584 (L)	1.15%
Ms. YU Meng	Beneficial interest(9)	6,032,568 (L)	1.17%
Dr. ZHU Xun	Beneficial interest(10)	1,336,908 (L)	0.26%

Notes:

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

(2) Based on a total of 514,770,668 Shares in issue as at December 31, 2024.

(3) Dr. Liu, being the investment advisor of the Family Trust, is entitled to exercise the voting rights attached to the 81,000,000 Shares held by the Founder BVI.

(4) Comprising voting rights attached to 18,856,466 Shares underlying Awards vested which Dr. Liu was entitled to exercise the voting rights pursuant to the voting agreements entered into by the Company and certain grantees under the 2020 Share Incentive Plan and the 2023 Share Incentive Plan.

(5) As at December 31, 2024, Dr. Liu was interested in 10,004,964 shares underlying the Awards granted to her under the 2020 Share Incentive Plan, of which 5,775,094 Shares underlying the Awards were vested.

(6) Dr. Liu, the Founder BVI, Greaty Investment, ZT Global Energy and Orient Champion have entered into a concert party agreement (the "**Concert Party Agreement**") on September 30, 2021, pursuant to which the Founder BVI (the voting rights attached to the Shares held by whom are to be exercised by Dr. Liu), Greaty Investment, ZT Global Energy and Orient Champion confirmed and ratified that, since September 1, 2019, (i) they had acted and would continue to act in concert and collectively for all matters relating to the operation and development of our Group that need to be approved by the Shareholders pursuant to applicable laws and the constitutional documents of our Company; and (ii) when and if they could not reach unanimous consent, the decision of Dr. Liu shall prevail. None of the party to the Concert Party Agreement is entitled to terminate the Concert Party Agreement unilaterally. As of December 31, 2024, each of Greaty Investment, ZT Global Energy and Orient Champion held 6,369,372 Shares, 6,369,372 Shares and 8,917,116 Shares, each representing 1.24%, 1.24% and 1.73% of the issued Shares as at December 31, 2024.

(7) BAIYI Capital Limited is wholly-owned investment holding company of AIH Capital L.P., which is controlled by Mr. MA Lixiong. Pingtan Rongjing Investment Partnership (Limited Partnership) (平潭榮景投資合夥企業(有限合夥)) is managed by its general partner, Yuthai Investment Management Co., Ltd., which is owned as to 80% by Mr. MA Lixiong. Therefore, Mr. MA Lixiong is deemed to be interested in (i) 27,428,154 Shares held by BAIYI Capital Limited and (ii) 2,766,000 Shares held by Pingtan Rongjing Investment Partnership (Limited Partnership) under the SFO.

(8) As at December 31, 2024, Mr. MA Lixiong was interested in 5,926,584 Shares underlying the Awards granted to him under the 2020 Share Incentive Plan, and 2023 Share Incentive Plan, of which 1,697,442 Shares underlying the Awards were vested as at December 31, 2024.

(9) As at December 31, 2024, Ms. YU Meng was interested in 6,032,568 Shares underlying the Awards granted to her under the 2020 Share Incentive Plan, and 2023 Share Incentive Plan, of which 1,928,415 Shares underlying the Awards were vested as at December 31, 2024.

(10) As at December 31, 2024, Dr. ZHU Xun was interested in 1,336,908 Shares underlying the Awards granted to him under the 2020 Share Incentive Plan, of which 856,605 Shares underlying the Awards were vested as at December 31, 2024.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at December 31, 2024, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as the Directors or chief executive are aware, as at December 31, 2024, the following persons (other than the Directors and chief executive whose interests have been disclosed in this report), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the 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 Shares held(1)	Approximate percentage of Shares in issue(2)
Mr. LI Li(3)	Interest in controlled corporation	77,804,710 (L)	15.11%
Ms. LI Tan(3)	Interest of spouse	77,804,710 (L)	15.11%
Hepalink (3)	Beneficial owner	13,515,210 (L)	2.63%
	Interest in controlled corporation	64,289,500 (L)	12.49%
Hepalink Biotechnology II Limited(3)	Beneficial owner	64,289,500 (L)	12.49%
Hepalink (Hong Kong) Limited(3)	Interest in controlled corporation	64,289,500 (L)	12.49%
Hepalink Healthcare Partners I L.P.(3)	Interest in controlled corporation	64,289,500 (L)	12.49%
Medi Prosperity Capital Inc. (3)	Interest in controlled corporation	64,289,500 (L)	12.49%
Shan Miao(3)	Interest in controlled corporation	64,289,500 (L)	12.49%
Founder BVI(4)(5)	Beneficial owner	81,000,000 (L)	15.74%
The Bryn Mawr Trust Company of Delaware(4)	Trustee of a trust	81,000,000 (L)	15.74%
2020 ESOP Platform(6)	Beneficial owner	53,083,764 (L)	10.31%
The Core Trust Company Limited(6)	Trustee of a trust	53,083,764 (L)	10.31%
TCT (BVI) Limited(6)	Interest in controlled corporation	53,083,764 (L)	10.31%
Hongtu Capital(7)	Beneficial owner	45,713,592 (L)	8.88%
Ms. CHAN See Ting(7)	Interest in controlled corporation	45,713,592 (L)	8.88%
Mr. LAI Hoi Man(7)	Interest in controlled corporation	45,713,592 (L)	8.88%
BAIYI Capital Limited	Beneficial owner	27,428,154 (L)	5.33%

Notes:

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

(2) Based on a total of 514,770,668 Shares in issue as at December 31, 2024.

(3) Based on the information set out in the relevant disclosure made by the relevant substantial Shareholder(s), 64,289,500 Shares were held by Hepalink Biotechnology II Limited, which was wholly-owned by Hepalink Healthcare Partners I L.P., a limited partnership established under the laws of the Cayman Islands. The limited partner of Hepalink Healthcare Partners I L.P. was Hepalink (Hong Kong) Limited, which held 100% of the interest in Hepalink Healthcare Partners I L.P. Hepalink (Hong Kong) Limited was in turn wholly-owned by Hepalink. Mr. LI Li was interested in approximately 62.90% of the shares in Hepalink. Hepalink was also interested in 13,515,210 Shares. Ms. LI Tan is the spouse of Mr. LI Li. Medi Prosperity Capital Inc., which is wholly-owned by Mr. Shan Miao, is the general partner of Hepalink Healthcare Partners I L.P. Therefore, Medi Prosperity Capital Inc. and Mr. Shan Miao are deemed to be interested in the shares held by Hepalink Healthcare Partners I L.P.

(4) The Bryn Mawr Trust Company of Delaware serves as the trustee of the Family Trust, which wholly-owned the Founder BVI.

(5) Dr. Liu, the Founder BVI, Greaty Investment, ZT Global Energy and Orient Champion have entered into the Concert Party Agreement on September 30, 2021, pursuant to which the Founder BVI (the voting rights attached to the Shares held by whom are to be exercised by Dr. Liu), Greaty Investment, ZT Global Energy and Orient Champion confirmed and ratified that, since September 1, 2019, (i) they had acted and would continue to act in concert and collectively for all matters relating to the operation and development of our Group that need to be approved by the Shareholders pursuant to applicable laws and the constitutional documents of our Company; and (ii) when and if they could not reach unanimous consent, the decision of Dr. Liu shall prevail. None of the party to the Concert Party Agreement is entitled to terminate the Concert Party Agreement unilaterally. Each of Greaty Investment, ZT Global Energy and Orient Champion held 6,369,372 Shares, 6,369,372 Shares and 8,917,116 Shares, each representing 1.24%, 1.24% and 1.73% of the issued Shares.

(6) The Core Trust Company Limited serves as the trustee of the 2020 ESOP Platform. The 2020 ESOP Platform is wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by The Core Trust Company Limited.

(7) Based on the information set out in the relevant disclosure made by the relevant substantial Shareholder(s), Hongtu Capital is owned as to 60% and 40% by Mr. LAI Hoi Man (賴海民) and Ms. CHAN See Ting (陳思廷), respectively,

Save as disclosed above, so far as the Directors or chief executive are aware, as at December 31, 2024, no person, other than the Directors and chief executive whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations" had an interest or short position in the Shares or underlying Shares which would fall to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

INCENTIVE PLANS ADOPTED BY THE COMPANY

A. 2020 Share Incentive Plan

The 2020 Share Incentive Plan was originally adopted by the Board on January 22, 2020, amended and restated by the Board on October 18, 2021 and further amended and restated in its entirety on March 4, 2022. The terms of the 2020 Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of awards by our Company to subscribe for new Shares after the Listing. After Listing, no further awards or other type of awards would be granted pursuant to the 2020 Share Incentive Plan. All the Shares underlying the Awards granted under the 2020 Share Incentive Plan have been issued and allotted to the 2020 ESOP Platform for future exercise of the Awards. The following is a summary of the principal terms of the 2020 Share Incentive Plan.

(a) Purpose

The purpose of the 2020 Share Incentive Plan is to enable the Company to attract and retain the best available personnel, to provide additional incentives to employees, Directors and consultants and to promote the success of the Company's business.

(b) Who May Join

Eligible participants (the "**Eligible Participants**") means (i) any person who is in the employment of the Group; (ii) a member of the Board or the board of directors of any affiliate of the Company; or (iii) any person who is engaged by the Group to render consulting or advisory services.

Subject to above classes, share options (the "**Options**") or restricted share units (the "**RSUs**") shall be granted to the grantee who is department manager, key technical staff of the Group; has made a significant contribution to the Company; or meet such other conditions as determined by Board, and restricted shares (the "**Restricted Shares**", together with the Options and the RSUs, the "**Awards**") or RSUs shall be granted to the grantee who is management personnel and has established labor/employment relationship with the Company or its subsidiaries before December 31, 2015 and the continuous service of the grantee is not terminated up to the date of the Award agreement; has made a significant contribution to the Company; is critical to the future development of the Company; or meet such other conditions as determined by Board.

(c) Shares Available for Issue

As of the date of this report, there is no Share available for issue under the 2020 Share Incentive Plan, as all the Shares underlying the Awards granted under the 2020 Share Incentive Plan have been issued and allotted to the 2020 ESOP Platform for future exercise of the Awards and no further options or other type of awards would be granted pursuant to the 2020 Share Incentive Plan after the Listing. The number of options and awards available for grant under the 2020 Share Incentive Plan as of January 1, 2024 and December 31, 2024 was nil and nil, respectively.

(d) *Maximum Number of Shares*

The maximum number of Shares in respect of which Awards may be granted under the 2020 Share Incentive Plan is 53,095,764 Shares (as adjusted upon completion of the capitalization issue on the Listing Date and the repurchase of Shares from the 2023 ESOP Platform) (the "**2020 Scheme Limit**").

Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the 2020 Share Incentive Plan. Shares that actually have been issued under the 2020 Share Incentive Plan pursuant to an Award shall not be returned to the 2020 Share Incentive Plan and shall not become available for future issuance under the 2020 Share Incentive Plan, subject to the 2020 Share Incentive Plan. There is no service provider sub-limit adopted under the 2020 Share Incentive Plan. Subject to the 2020 Scheme Limit, the 2020 Share Incentive Plan contains no provision on the maximum entitlement of each Eligible Participant.

(e) *Exercise Period*

The exercise period of the Awards granted under the 2020 Share Incentive Plan is ten years commencing from the date upon which the Awards are deemed to be granted and accepted pursuant to the terms of the 2020 Share Incentive Plan.

(f) *Vesting Period*

The Awards granted under the 2020 Share Incentive Plan shall vest in four years subject to the Listing. The Awards representing 25% of the Awards granted shall vest in equal, yearly installments at each anniversary date commencing from the vesting commencement date set forth in the notice of Award and the Award agreements. The vesting of the Awards that become ready to be vested according to their respective designated vesting schedule in the notice of Award on a date prior to the Listing will be deferred and only effected on the Listing Date. The vesting of the Awards is also subject to other vesting conditions, including the Grantee's provision of continuous service to the Company or its affiliates and the performance criteria to be satisfied by each of the Grantees set forth in their respective notice of Award and Award agreements. The performance criteria comprise a mixture of attaining satisfactory key performance indicators of the Company, the department of the Company and the individual Grantee, respectively.

(g) *Exercise or Purchase Price*

The exercise price of the Options and the purchase price of the RSUs shall be the price determined by the administrator as of the date of grant. There is no purchase price for the Restricted Shares. Subject to applicable laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the administrator.

The outstanding Awards granted under the 2020 Share Incentive Plan were granted at nil consideration to each of the relevant Eligible Participant with an exercise price (as adjusted by the capitalization issue on the Listing Date) of US$0.14 to US$0.47 per Share. There is no additional amount payable on application or acceptance of the Awards. There is no prescribed period within which payments or calls must or may be made or loans for such purposes must be repaid in respect of the Awards offered under the 2020 Share Incentive Plan.

(h) Term of Plan and Remaining Life

The 2020 Share Incentive Plan shall continue in effect for a term of ten (10) years after the date of adoption (being January 22, 2020), unless sooner terminated. The remaining life of the 2020 Share Incentive Plan was approximately four years and nine months as of the date of this annual report.

The term of each Award shall be the term stated in the Award agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the grantee has elected to defer the receipt of the Shares of cash issuable pursuant to the Award. In the case of an Option granted to an United States taxpayer who, at the time the Option is granted, owns (or, pursuant to Section 424(d) of the United States Code, is deemed to own) stock representing more than 10% of the total combined voting power of all classes of Shares of the Company or any subsidiary or affiliate, the term of the Option will not be longer than ten years from the date of grant. The date of grant of an Award shall for all purposes be the date on which the administrator makes the determination to grant such Award, or such other date as is determined by the administrator.

(i) Termination

An Award shall lapse automatically and not be exercisable (to the extent not already exercised):

(i) in the event the grantee's continuous service terminates as a result of his/her retirement, death, permanent disability prevents from working, resignation or company terminates his/her employment;

(ii) in the event the grantee's continuous service terminates due to bad faith causes; or

(iii) in the event change in control of the Company or corporate transaction.

All the Awards available for granting under the 2020 Share Incentive Plan have been granted before the Listing and there are no further options or other type of awards available for grant pursuant to the 2020 Share Incentive Plan since the Listing. As at December 31, 2024, no other types of awards other than options have been granted under the 2020 Share Incentive Plan. Therefore, there is no award granted during the Reporting Period. During the Reporting Period, details of the movements in the Awards (all being Options) granted under the 2020 Share Incentive Plan are as follows pursuant to Rule 17.12 of the Listing Rules.

Name of category of grantee	Date of grant[1]	Outstanding Options as at January 1, 2024	Vested during the Reporting Period	Exercised during the Reporting Period[2]	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Expired during the Reporting Period	Outstanding Options as at December 31, 2024	Fair value of the Options (granted during the Reporting Period) at the date of grant (US$ per Share)	Vesting period	Exercise period of Options	Exercise price of Options (approximate)[3] (US$ per Share)
Directors												
Dr. LIU Liping (劉利平)	December 17, 2020,	3,273,852	818,463	Nil	Nil	Nil	Nil	3,273,852	N/A	Four years[4]	Ten years[5]	0.14
	December 30, 2021,	1,636,926	409,231	Nil	Nil	Nil	Nil	1,636,926	N/A	Four years[4]	Ten years[5]	0.18
	April 1, 2023	5,094,186	1,273,547	Nil	Nil	Nil	Nil	5,094,186	N/A	Four years[4]	Ten years[5]	0.47
Ms. YU Meng (于萌)	January 1, 2021	1,681,092	420,273	Nil	Nil	Nil	Nil	1,681,092	N/A	Four years[4]	Ten years[5]	0.18
	April 1, 2023	1,951,476	487,869	Nil	Nil	Nil	Nil	1,951,476	N/A	Four years[4]	Ten years[5]	0.33
Dr. ZHU Xun (朱迅)	January 1, 2021	1,044,756	261,189	Nil	Nil	Nil	Nil	1,044,756	N/A	Four years[4]	Ten years[5]	0.18
	April 1, 2023	292,152	73,038	Nil	Nil	Nil	Nil	292,152	N/A	Four years[4]	Ten years[5]	0.33
Mr. MA Lixiong (馬立雄)	December 30, 2021	431,592	107,898	Nil	Nil	Nil	Nil	431,592	N/A	Four years[4]	Ten years[5]	0.18
	April 1, 2023	3,094,992	773,748	Nil	Nil	Nil	Nil	3,094,992	N/A	Four years[4]	Ten years[5]	0.33
Subtotal		18,501,024	4,625,256	Nil	Nil	Nil	Nil	18,501,024	N/A			

Name of category of grantee	Date of grant[1]	Outstanding Options as at January 1, 2024	Vested during the Reporting Period	Exercised during the Reporting Period[2]	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Expired during the Reporting Period	Outstanding Options as at December 31, 2024	Fair value of the Options (granted during the Reporting Period) at the date of grant (US$ per Share)	Vesting period	Exercise period of Options	Exercise price of Options (approximate)[3] (US$ per Share)
Five highest paid individuals during the Reporting Period other than Directors, in aggregate												
	January 1, 2021	4,572,528	1,143,132	Nil	Nil	Nil	Nil	4,572,528	N/A	Four years[4]	Ten years[5]	0.18
	February 1,2021	1,440,000	360,000	Nil	Nil	Nil	Nil	1,440,000	N/A	Four years[4]	Ten years[5]	0.18
	January 3, 2022	420,504	105,126	Nil	Nil	210,252	Nil	210,252	N/A	Four years[4]	Ten years[5]	0.29
	January 3, 2022	360,000	Nil	Nil	Nil	Nil	Nil	360,000	N/A	Upon the achievement of applicable milestones[4]	Ten years[5]	0.29
	April 1, 2023	9,725,052	2,431,264	Nil	Nil	3,600,000	Nil	6,125,052	N/A	Four years[4]	Ten years[5]	0.33/0.47
	September 1, 2023	5,821,050	1,455,263	Nil	Nil	Nil	Nil	5,821,050	N/A	Four years[4]	Ten years[5]	0.33
Subtotal		22,339,134	5,494,785	Nil	Nil	3,810,252	Nil	18,528,882	N/A			
Other grantees, in aggregate												
	December 17, 2020	649,224	162,306	Nil	Nil	105,312	Nil	543,912	N/A	Four years[4]	Ten years[5]	0.14
	January 1, 2021	4,271,202	965,209	85,000	Nil	Nil	Nil	4,186,202	N/A	Four years[4]	Ten years[5]	0.18
	March 1, 2021	388,650	97,162	Nil	Nil	Nil	Nil	388,650	N/A	Four years[4]	Ten years[5]	0.18
	December 30, 2021	421,614	105,402	Nil	Nil	Nil	Nil	421,614	N/A	Four years[4]	Ten years[5]	0.18
	March 31, 2022	354,000	13,500	Nil	Nil	300,000	Nil	54,000	N/A	Four years[4]	Ten years[5]	0.29
	April 1, 2023	3,787,290	923,969	Nil	Nil	91,428	Nil	3,695,862	N/A	Four years[4]	Ten years[5]	0.33 – 0.47
	September 1, 2023	2,077,920	519,482	Nil	Nil	1,362,000	Nil	715,920	N/A	Four years[4]	Ten years[5]	0.33
Subtotal		11,949,900	2,787,030	85,000	Nil	1,858,740	Nil	10,006,160				
Total		**52,790,058**	**12,907,071**	**85,000**	**Nil**	**5,668,992**	**Nil**	**47,036,066**				

Notes:

(1) The fair value of the Options granted during the Reporting Period under Rule 17.07(1)(c)(v) of the Listing Rules is not applicable as no Option was granted during the Reporting Period.

(2) Of the 85,000 Shares exercised during the Reporting Period, (i) 3,000 Shares were exercised on November 9, 2024, with closing price of the Shares immediately before the date of exercise being HK$1.23, and (ii) 82,000 Shares exercised on November 25, 2024, with closing price of the Shares immediately before the date of exercise being HK$1.05. The weighted average closing price of the Shares immediately before the date on which the Options were exercised under Rule 17.07(1)(d) of the Listing Rules is HK$1.0564.

(3) The exercise price has been adjusted by the capitalization issue on the Listing Date.

(4) The Awards shall vest in four years subject to the Listing. The Awards representing 25% of the Awards granted shall vest in equal, yearly installments at each anniversary date commencing from the vesting commencement date set forth in the notice of Award and the Award agreements. The vesting of the Awards that become ready to be vested according to their respective designated vesting schedule in the notice of Award on a date prior to the Listing will be deferred and only effected on the Listing Date. The vesting of the Awards is also subject to other vesting conditions, including the Grantee's provision of continuous service to the Company or its affiliates and the performance criteria to be satisfied by each of the Grantees set forth in their respective notice of Award and Award agreements. The performance criteria comprise a mixture of attaining satisfactory key performance indicators of the Company, the department of the Company and the individual Grantee, respectively.

(5) The exercise period of the Awards granted under the 2020 Share Incentive Plan is ten years commencing from the date upon which the Awards are deemed to be granted and accepted pursuant to the terms of the 2020 Share Incentive Plan.

(6) Save for those set out in this movement table, there are no grants of awards to (i) Directors, (ii) five highest paid individuals during the Reporting Period, or (iii) other grantees under the 2020 Share Incentive Plan.

(7) No grant was made under the 2020 Share Incentive Plan which requires review by the Remuneration Committee for the Reporting Period.

(8) As all grants under the 2020 Share Incentive Plan were made before the Listing Date, the closing price of the Shares immediately before the date of grant under Rule 17.07(1)(c)(iv) of the Listing Rules is not applicable.

B. 2023 Share Incentive Plan

The 2023 Share Incentive Plan was adopted by the Board on May 24, 2023. The terms of the 2023 Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of awards by our Company to subscribe for new Shares after Listing. After the Listing, no further awards would be granted pursuant to this 2023 Share Incentive Plan. All the Shares underlying the Awards granted under the 2023 Share Incentive Plan have been issued and allotted to the 2023 ESOP Platform for future exercise of the Awards. The following is a summary of the principal terms of the 2023 Share Incentive Plan.

(a) Purpose

The purpose of the 2023 Share Incentive Plan is to enable the Company to attract and retain the best available personnel, to provide additional incentives to employees, Directors and consultants and to promote the success of the Company's business.

(b) Who May Join

Eligible participants means any person belonging to (i) any person who is in the employment of the Group; (ii) a member of the Board or the board of directors of any affiliate of the Company; or (iii) any person who is engaged by the Group to render consulting or advisory services.

Subject to above classes, Options or RSUs shall be granted to the grantee who is department manager, key technical staff of the Group; has made a significant contribution to the Company; or meet such other conditions as determined by Board.

Restricted Shares, together with the Awards or RSUs shall be granted to the grantee who is management personnel and has established labor/employment relationship with the Company or its subsidiaries before December 31, 2015 and the continuous service of the grantee is not terminated up to the date of the Award agreement; has made a significant contribution to the Company; or meet such other conditions as determined by Board.

(c) Shares Available for Issue

As of the date of this report, there is no Share available for issue under the 2023 Share Incentive Plan, as all the Shares underlying the Awards under the 2023 Share Incentive Plan have been issued and allotted to the 2023 ESOP Platform and no further options or other type of awards would be granted pursuant to the 2023 Share Incentive Plan after the Listing. The number of options and awards available for grant under the 2023 Share Incentive Plan as of January 1, 2024 and December 31, 2024 was nil and nil, respectively.

(d) Maximum Number of Shares

The maximum number of Shares in respect of which Awards may be granted under the 2023 Share Incentive Plan is 9,600,000 Shares (as adjusted upon completion of the capitalization issue on the Listing Date and the repurchase of Shares from the 2023 ESOP Platform) (the "**2023 Scheme Limit**").

Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the 2023 Share Incentive Plan. Shares that actually have been issued under the 2023 Share Incentive Plan pursuant to an Award shall not be returned to the 2023 Share Incentive Plan and shall not become available for future issuance under the 2023 Share Incentive Plan, subject to the 2023 Share Incentive Plan. There is no service provider sub-limit adopted under the 2023 Share Incentive Plan. Subject to the 2023 Scheme Limit, the 2023 Share Incentive Plan contains no provision on the maximum entitlement of each Eligible Participant.

(e) Exercise Period

The exercise period of the Awards granted is ten years commencing from the date upon which the Awards are deemed to be granted and accepted pursuant to the terms of the 2023 Share Incentive Plan.

(f) Vesting Period

The Awards representing 25% of the Awards granted shall vest in equal, yearly installments at each of the first anniversary date, the second anniversary date, the third anniversary date and the fourth anniversary date commencing from the Listing Date. The vesting of the Awards is also subject to other vesting conditions, including the Grantee's provision of continuous service to the Company or its affiliates and the performance criteria to be satisfied by each of the Grantees set forth in their respective notice of Award and Award agreements. The performance criteria comprise a mixture of attaining satisfactory key performance indicators of the Company, the department of the Company and the individual Grantee, respectively.

(g) Exercise or Purchase Price

The exercise price of the Options and the purchase price of the RSUs shall be the price determined by the administrator as of the date of grant. There is no purchase price for the Restricted Shares. Subject to applicable laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the administrator.

The outstanding Awards granted under the 2023 Share Incentive Plan were granted at nil consideration to each of the relevant Eligible Participant with an exercise price (as adjusted by the capitalization issue on the Listing Date) of US$0.33 per Share. There is no additional amount payable on application or acceptance of the Awards. There is no prescribed period within which payments or calls must or may be made or loans for such purposes must be repaid in respect of the Awards offered under the 2023 Share Incentive Plan.

(h) Term of Plan and Remaining Life

The 2023 Share Incentive Plan shall continue in effect after the date of adoption, until the earlier to occur: (i) early termination by the administrator; or (ii) the tenth anniversary after the effective date (being May 24, 2023). The remaining life of the 2023 Share Incentive Plan was approximately eight years and two months as of the date of this report.

The term of each Award shall be the term stated in the Award agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the grantee has elected to defer the receipt of the Shares of cash issuable pursuant to the Award. In the case of an Option granted to an United States taxpayer who, at the time the Option is granted, owns (or, pursuant to Section 424(d) of the United States Code, is deemed to own) stock representing more than 10% of the total combined voting power of all classes of Shares of the Company or any subsidiary or affiliate, the term of the Option will not be longer than ten years from the date of grant. The date of grant of an Award shall for all purposes be the date on which the administrator makes the determination to grant such Award, or such other date as is determined by the administrator.

(i) Termination

An Award shall lapse automatically and not be exercisable (to the extent not already exercised):

(i) in the event the grantee's continuous service terminates as a result of his/her retirement, death, permanent disability prevents from working, resignation or company terminates his/her employment;

(ii) in the event the grantee's continuous service terminates due to bad faith causes; or

(iii) in the event change in control of the Company or corporate transaction.

All the Awards available for granting under the 2023 Share Incentive Plan have been granted before the Listing and there are no further options or other type of awards available for grant pursuant to the 2023 Share Incentive Plan since the Listing. As at December 31, 2024, no other types of awards other than options had been granted under the 2023 Share Incentive Plan. Therefore, there is no award granted from the Reporting Period. During the Reporting Period, details of the movements in the Awards (all being Options) granted under the 2023 Share Incentive Plan are as follows pursuant to Rule 17.12 of the Listing Rules.

Name of category of grantee	Date of grant[1]	Outstanding Options as at January 1, 2024	Vested during the Reporting Period	Exercised during the Reporting Period[2]	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Expired during the Reporting Period	Outstanding Options as at December 31, 2024	Fair value of the Options (granted during the Reporting Period) at the date of grant (US$ per Share)	Vesting period	Exercise period of Options	Exercise price of Options (approximate)[5] (US$ per Share)
Directors												
Ms. YU Meng (于萌)	September 1, 2023	2,400,000	600,000	Nil	Nil	Nil	Nil	2,400,000	Nil	Four years[3]	Ten years[4]	0.33
Mr. MA Lixiong (馬立雄)	September 1, 2023	2,400,000	600,000	Nil	Nil	Nil	Nil	2,400,000	Nil	Four years[3]	Ten years[4]	0.33
Subtotal		4,800,000	1,200,000	Nil	Nil	Nil	Nil	4,800,000				
Other grantees, in aggregate												
	September 1, 2023	4,800,000	600,000	Nil	2,400,000	Nil	Nil	2,400,000	Nil	Four years[3]	Ten years[4]	0.33
Subtotal		4,800,000	600,000	Nil	2,400,000	Nil	Nil	2,400,000				
Total		**9,600,000**	**1,800,000**	**Nil**	2,400,000	**Nil**	**Nil**	**7,200,000**				

Notes:

(1) The fair value of the Options granted during the Reporting Period under Rule 17.07(1)(c)(v) of the Listing Rules is not applicable as no Option was granted during the Reporting Period.

(2) The weighted average closing price of the Shares immediately before the date on which the Options were exercised under Rule 17.07(1)(d) of the Listing Rules is not applicable as no Option was exercised during the Reporting Period.

(3) The Awards representing 25% of the Awards granted shall vest in equal, yearly installments at each of the first anniversary date, the second anniversary date, the third anniversary date and the fourth anniversary date commencing from the Listing Date. The vesting of the Awards is also subject to other vesting conditions, including the Grantee's provision of continuous service to the Company or its affiliates and the performance criteria to be satisfied by each of the Grantees set forth in their respective notice of Award and Award agreements. The performance criteria comprise a mixture of attaining satisfactory key performance indicators of the Company, the department of the Company and the individual Grantee, respectively.

(4) The exercise period of the Awards granted under the 2023 Share Incentive Plan is ten years commencing from the date upon which the Awards are deemed to be granted and accepted pursuant to the terms of the 2023 Share Incentive Plan.

(5) The exercise price has been adjusted by the capitalization issue on the Listing Date.

(6) Save for those set out in this movement table, there are no grants of awards to (i) Directors, (ii) five highest paid individuals during the Reporting Period or (iii) other grantees under the 2023 Share Incentive Plan.

(7) The Remuneration Committee was established with effect from the Listing Date, while all the grants under the 2023 Share Incentive Plan were made before the Listing Date. As such, no grant was made under the 2023 Share Incentive Plan which requires review by the Remuneration Committee for the Reporting Period.

(8) As all grants under the 2023 Share Incentive Plan were made before the Listing Date, the closing price of the shares immediately before the date of grant under Rule 17.07(1)(c)(iv) of the Listing Rules is not applicable.

C. **Disclosure under Rule 17.07(3) of the Listing Rules**

Given that all the Shares underlying the outstanding Awards granted under the 2020 Share Incentive Plan and 2023 Share Incentive Plan have been allotted and issued to the 2020 ESOP Platform and the 2023 ESOP Platform, respectively, no further Share may be issued by the Company in respect of any Awards granted under all the share schemes of the Company during the year ended December 31, 2024. As such, the disclosure requirement under Rule 17.07(3) of the Listing Rules is not applicable.

COMPENSATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST PAID

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 8 and Note 9 to the financial statements.

During the year ended December 31, 2024, there was a compensation payment of approximately RMB47,000 paid to one of the five highest paid employees, who has resigned on December 31, 2024. Except as disclosed above, for the year ended December 31, 2024, no emoluments were paid by the Group to or receivable by any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no consideration was paid by the Group to any third parties for making available Directors' services. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2024.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2024, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS AND PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS

As at December 31, 2024, the Company had no controlling shareholder (as defined in the Listing Rules) and therefore (i) there was no pledge of Shares to secure the Company's debts or to secure guarantees or other support of their obligations, (ii) there was no loan agreement with covenants relating to specific performance of controlling shareholder, and (iii) no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholders during the year ended December 31, 2024 or subsisted at the end of 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 year ended December 31, 2024.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2024.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, as defined in the Listing Rules) for the year ended December 31, 2024. The Company did not hold any treasury shares (as defined in the Listing Rules) as of December 31, 2024.

AUDITOR

With effect from December 11, 2024, Ernst & Young has resigned as the auditor of the Company and Moore CPA Limited ("**Moore HK**") has been appointed as the new auditor of the Company. The consolidated financial statements for the year ended December 31, 2024 have been audited by Moore HK, who is expected to hold office until the conclusion of the forthcoming annual general meeting of the Company.

Besides the above, there are no change in the auditor of the Company since the Listing Date.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

As announced by the Company on January 2, 2025, the dapagliflozin-controlled Phase III clinical trial of berberine ursodeoxycholate (HTD1801), an in-house developed gut-liver anti-inflammatory metabolic modulator, in patients with type 2 diabetes mellitus (T2DM), has completed patient enrollment. For details, please refer to the announcement of the Company dated January 2, 2025.

Save as disclosed in this annual report, as of the date of this report, there were no important events affecting the Group occurred after the Reporting Period.

On behalf of the Board

HighTide Therapeutics, Inc.
Dr. LIU Liping
Executive Director and Chief Executive Officer

Hong Kong, March 28, 2025

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this annual report, our Board of Directors comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. LI Li resigned as a non-executive Director with effect from February 2, 2024.

Executive Directors

Dr. LIU Liping (劉利平), aged 55, founder of our Group, was appointed as a Director on February 28, 2018 and redesignated as an executive Director on May 15, 2023. Dr. Liu was appointed as the chairwoman of the Board upon Listing. Dr. Liu is primarily responsible for overall management of the business strategy, corporate development and research and development of our Group.

In addition to our Company, Dr. Liu has served the following positions in our Group:

- a director (and an executive director since October 2020) since November 2011 and chief executive officer from November 2011 to March 2025 of Shenzhen HighTide;
- a director of Shanghai HighTide from March 2014 to October 2020; and an executive director and chief executive officer of Shanghai HighTide since October 2020;
- a director (and an executive director since October 2020) since July 2015 and chief executive officer from July 2015 to March 2025 of JSK Healthcare;
- an executive director and the chief executive officer of Australia HighTide since August 2015;
- an executive director and the chief executive officer of HighTide Therapeutics, Ltd. since March 2018;
- an executive director and the chief executive officer of U.S. HighTide since November 2019;
- an executive director and the chief executive officer of HK HighTide since April 2018;
- an executive director since May 2021 and the chief executive officer of Shanghai Fusion from May 2021 to March 2025;
- an executive director since November 2021 and the chief executive officer of Nanchang Fusion from November 2021 to March 2025; and
- an executive director of Hebei Puhui since September 2023.

Dr. Liu has over 21 years of experience in the R&D of new drugs. Prior to founding our Group, Dr. Liu worked as a postdoctoral researcher in the Hospital for Sick Children in Canada from March 1995 to April 2000. From April 2000 to December 2002, she served as a director of antigen discovery of CTL ImmunoTherapies Corporation. From January 2003 to September 2005, she served as a group leader in chemistry department of MannKind Corporation. From September 2005 to May 2008, Dr. Liu worked in the translational research department of American Type Culture Collection where she was primarily responsible for biomarker discovery, translational research and drug discovery. Dr. Liu served as a senior director of R&D of Stealth Peptide Inc. from May 2008 to August 2010. From February 2011 to April 2011, she served as the managing director of ABLE BioGroup LLC. On November 15, 2011, Dr. Liu established Shenzhen HighTide together with Hepalink. For details, please see "Our Group – Shenzhen HighTide" in the section headed "History" of the Prospectus.

Dr. Liu obtained her bachelor's degree in chemistry and doctoral degree in physics of polymers from Nankai University (南開大學) in the PRC in July 1990 and December 1994, respectively. Dr. Liu obtained a master of business administration from Johns Hopkins University Carey Business School in May 2009 in the United States. Dr. Liu was awarded Technology Innovation and Entrepreneurial Talent by the Ministry of Science and Technology of the PRC in March 2014 and Distinguished Expert in Longgang District by the People's Government of Longgang District, Shenzhen in November 2017. She was also regarded as Top 10 Drug Innovative Scientist by Securities Times in May 2021. Dr. Liu was awarded the EY Entrepreneurial Winning Women Asia – Pacific in 2023.

Ms. YU Meng (于萌), aged 43, joined our Group on May 4, 2015 and was appointed as a director on May 11, 2023. She was redesignated as an executive Director on May 15, 2023. Ms. Yu Meng is primarily responsible for assisting Dr. Liu in management of business strategy, corporate development and research and development of our Group.

Ms. Yu Meng joined our Group on May 4, 2015 as a senior manager in Shenzhen HighTide, and was the R&D director in Shenzhen HighTide from June 2017 to July 2021, where she was primarily responsible for overall monitoring of CMC and pre-clinical activities of Shenzhen HighTide. From August 2021 to September 2022, Ms. Yu Meng was the head of R&D operations of our Group. From November 2022 to present, Ms. Yu Meng is the deputy general manager and vice president of Shenzhen HighTide, primarily responsible for overall management and monitoring of the research and development of the Group in China.

From September 2008 to September 2009, Ms. Yu Meng worked in Asymchem Laboratories (Tianjin) Co., Ltd. (凱萊英醫藥集團(天津)股份有限公司), a pharmaceutical company whose shares are listed on Shenzhen Stock Exchange (stock code: 002821). From December 2009 to April 2015, Ms. Yu Meng served as a scientific liaison manager of Huya Biological Medicine Technology (Shanghai) Co., Ltd. (滬亞生物醫藥技術(上海)有限公司).

Ms. Yu Meng obtained her bachelor's degree in chemistry from University of Science and Technology of China (中國科學技術大學) in July 2004 in the PRC. Ms. Yu Meng obtained her master of science degree in chemistry from University of Nevada, Reno in August 2008 in the United States.

Non-executive Directors

Dr. ZHU Xun (朱迅), aged 66, joined our Group and was appointed as a Director on November 30, 2020, and was redesignated as a non-executive Director on May 15, 2023. Dr. Zhu acted as the chairman of the Board from December 17, 2020 till the Listing, as an administrative role to chair the board meetings during that period without involving in the day-to-day management of our Company. Dr. Zhu is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Dr. Zhu has served the following positions outside our Group:

- a director of Huaxun Yike (Shenzhen) Biopharmaceutical Co., Ltd. (華迅億科(深圳)生物醫藥有限公司) since October 23, 2024;
- an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a pharmaceutical company whose shares are listed on the Stock Exchange (stock code: 0460), since February 2014;
- a director of Changchun Yinuoke Pharmaceutical Technology Co., Ltd. (長春億諾科醫藥科技有限責任公司) since July 2016;
- a director of Beijing Dingchi Biotechnology Co., Ltd. (北京鼎持生物技術有限公司) since December 2016;
- a director of Jianaishi Biomedical Technology (Hangzhou) Co., Ltd. (健艾仕生物醫藥科技(杭州)有限公司) since March 2018;
- an independent director of Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司), a technology company whose shares are listed on the Shanghai Stock Exchange (stock code: 688321), since March 2018; and
- a legal representative of Shenzhen Saibao Pengsheng Investment Co., Ltd. (深圳市賽寶鵬盛投資有限公司) since November 2021.

Dr. Zhu served several positions in Norman Bethune Medical University (白求恩醫科大學) (currently known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部)), including lecturer, professor and doctoral supervisor in the immunological department, dean of the department and vice president of the University from December 1985 to June 2018. From April 2004 to September 2011, he served as the vice chairman of the board of directors and the general manager in Changchun Botai Medicine Biology Technology Co., Ltd. (長春博泰醫藥生物技術有限責任公司). Dr. Zhu was an independent non-executive Director of Lansen Pharmaceutical Holdings Limited (朗生醫藥控股有限公司) (a company was listed on the Stock Exchange and privatized in December 2023) from September 2022 to December 2023.

Dr. Zhu graduated in medicine from Jilin Medical College (吉林醫學院) (currently known as Beihua University (北華大學)) in December 1982 in the PRC and obtained his doctoral degree in medicine from Norman Bethune Medical University (白恩醫科大學) in April 1989 in the PRC.

Notwithstanding that Dr. Zhu holds a number of listed company directorships, the Board believes that he will still be able to devote sufficient time to our Board because (i) none of his commitments to such other listed companies are of an executive nature and none of them require his full – time involvement; (ii) Dr. Zhu has demonstrated that he is able to properly discharge his duties owed to multiple listed companies and has attended nearly all of the required board meetings as well as committee meetings of these listed companies; (iii) Dr. Zhu has joined our Group since 2020 and he has demonstrated he has devoted sufficient time to our Company by attending nearly all of the required meetings in our Company; (iv) Dr. Zhu's experience as a director of listed companies in both Hong Kong and the PRC would facilitate his understanding of corporate governance and his proper discharge of responsibilities as a director of our Company; and (v) Dr. Zhu has undertaken to devote sufficient time to attending to the management of our Company.

Mr. MA Lixiong (馬立雄), aged 50, joined our Group and was appointed as a Director on November 16, 2021 and was re-designated as a non-executive Director on May 15, 2023. Mr. Ma is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Mr. Ma mainly holds the current directorship and management positions in the following companies:

- an executive director and general manager in Yuthai Investment Management Co., Ltd. (昱烽晟泰投資管理有限公司) since April 2015;

- an executive director and general manager in Shenzhen AIH Capital Management Co., Ltd. (深圳市德正嘉成投資管理有限公司) since October 2015; and

- a director in Qide Technology Group Ltd. (啟德科技集團有限公司) since February 2021.

Mr. Ma served as a senior auditor at the PWC from 1998 to 2003. He served as a vice president at the Hong Kong First Investment Group Limited from 2004 to 2015.

Mr. Ma obtained his bachelor's degree in international accounting from Shenzhen University (深圳大學) in June 1998 in the PRC. He obtained the professional qualification in fund in December 2016.

Mr. JIANG Feng (江峰), aged 45, joined our Group and was appointed as a Director on November 16, 2022, and was redesignated as a non-executive Director on May 15, 2023. Mr. Jiang is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Since January 2021, Mr. Jiang has been serving as a vice general manager of Guangdong Kaiheng Private Equity Investment Fund Management Co., Ltd. (廣東開恒私募股權投資基金管理有限公司).

Mr. Jiang worked as a senior manager in the bureau of retired cadres of China Development Bank from October 2016 to February 2018. From February 2018 to January 2021, Mr. Jiang worked as a senior manager in the party committee office of China Development Bank Capital Co., Ltd.

Mr. Jiang obtained his bachelor's degree in wireless communication from Chinese People's Liberation Army Communication Command College (中國人民解放軍通信指揮學院) in June 2002 in the PRC and his master's degree in military history from PLA Nanjing Institute of Politics (中國人民解放軍南京政治學院) in March 2005 in the PRC.

Independent Non-executive Directors

Mr. TAN Bo (譚擘), aged 51, was appointed as an independent non-executive Director with effect from the Listing. He is responsible for supervising and providing independent recommendations to our Board.

Mr. Tan has served as an independent non-executive director of Globe Metals & Mining, a company whose shares are listed on the Australian Securities Exchange (stock code: GBE), since October 2013, and an independent non-executive director of Akeso, Inc., a company whose shares are listed on the Stock Exchange (stock code: 9926), where he has served as the chairman of the audit committee, since April 2020.

Mr. Tan has extensive experience within the financial and pharmaceutical industries, and has worked in private equity, equity research and commercial sectors for over 15 years. He worked in Macquarie Capital Limited in Hong Kong from November 2004 to February 2006. From March 2006 to March 2007, he worked in the equity research division of Lehman Brothers Asia Limited. From February 2009 to December 2019, Mr. Tan worked at 3SBio Inc., a company whose shares are listed on the Stock Exchange (stock code: 1530), and served as its executive vice president, executive director and chief financial officer, being primarily responsible for the finance management of the company. From September 2020 to January 2023, Mr. Tan served as an independent non-executive director of Everest Medicines Limited, a company whose shares are listed on the Stock Exchange (stock code: 1952). Mr. Tan Bo served as the chief executive officer, the joint chief investment officer and a director of Summit Healthcare Acquisition Corporation from June 2021 to March 2023 (shares of which have been delisted since March 2023).

Mr. Tan obtained his bachelor's degree in economics from Renmin University of China (中國人民大學) in July 1994 in the PRC, master's degree in economics from the University of Connecticut in December 1996 and a master of international management from American Graduate School of International Management (now known as Thunderbird School of Global Management) in August 1998 in the United States.

Dr. Jin LI (李靖), aged 59, was appointed as an independent non-executive Director with effect from the Listing. He is responsible for supervising and providing independent recommendations to our Board.

Since August 2015, Dr. Li has served as the chairman of the board and general manager of Beijing Orbiepharm Co., Ltd.(北京歐博方醫藥科技有限公司). Since December 2018, he has served as an independent director at Chengdu Easton Biopharmaceuticals Co., Ltd (成都苑東生物製藥股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 688513).

Dr. Li also holds a series of other positions outside our Group, including a director of Huaqing Bencao Investment Arrangement Limited Company (華清本草投資管理南通有限公司) since May 2015, a director of Yaodu (Beijing) Medical Information Consulting Co., Ltd. (藥渡(北京)醫藥信息諮詢有限公司) (currently known as Pharmacodia Pharma Intelligence (Beijing) Technology Co., Ltd. (藥渡智慧(北京)醫藥科技有限公司) since July 2017, the chairman of the board of Qingdao Orbiepharm Co., Ltd. (青島歐博方醫藥科技有限公司) from November 2013 to April 2022, the chairman of the board of director of Qingdao Pet Love Animal Hospital Management Co., Ltd. (青島寵之愛動物醫院管理有限公司) since August 2018, a director of Beijing Zhongguancun Shangdi Biotechnology Development

Co., Ltd. (北京中關村上地生物科技發展有限公司) since September 2021, an independent non-executive Director of 3D Medicines Inc., a company whose shares are listed on the Stock Exchange (stock code: 1244) since December 2022 and a director of Beijing Konruns Pharmaceutical Co., Ltd.(北京康辰藥業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603590) since January 2023.

Dr. Li obtained his Ph.D. in chemistry from the University of Wisconsin-Milwaukee in the United States in May 1999. He has published more than 25 papers and 14 book chapters in the chemistry field, and is the inventor of more than 30 patents. He also obtained the Fund Practicing Qualification Certificate in September 2018 from the Asset Management Association of China, and the independent director certificate issued by the Shanghai Stock Exchange in November 2018.

Mr. HUNG Tak Wai (孔德偉), aged 66, was appointed as an independent non-executive Director with effect from the Listing. He is responsible for supervising and providing independent recommendations to our Board.

Mr. Hung worked at UBS AG, Hong Kong from October 2001 to March 2009. Mr. Hung was the project director in the equity & derivatives department of BNP Paribas Hong Kong Branch from November 2009 to August 2011, a managing director in UBS Corporate Management (Shanghai) Co. Ltd. from October 2011 to September 2012, an assistant president in China Merchant Securities Co. Limited from November 2012 to October 2018, a senior adviser in Macquarie Capital Limited from June 2019 to June 2020 and a senior adviser in Expecta Capital Limited since May 2022.

Mr. Hung obtained the senior management qualification for securities companies issued by the CSRC in June 2007. He was a vice-chair of the Asset Securitization and Structured Financing Professional Committee (資產證券化暨結構化融資專業委員會委員) in National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) from April 2018 to September 2022.

Mr. Hung obtained his bachelor degree of science in industrial chemistry in the City University in London in June 1981 and his master degree of science in chemical engineering in Columbia University in the USA in January 1983.

SENIOR MANAGEMENT

Dr. LIU Liping (劉利平), aged 55, was appointed as the chief executive officer of our Company on February 28, 2018. For details of her biography, please refer to "Directors – Executive Directors" above.

Dr. Leigh Anne MACCONELL, aged 59, joined our Group as the chief development officer on February 1, 2021. Dr. MacConell is primarily responsible for leading and overseeing global clinical and non-clinical development, CMC, drug safety and project management activities of our Group.

From October 1998 to March 2003, Dr. MacConell served as a postdoctoral research associate of The Salk Institute. From March 2003 to February 2013, Dr. MacConell served in Amylin Pharmaceuticals Inc. including medical research and clinical scientist with her last position being a senior director. From June 2013 to May 2020, Dr. MacConell served in various positions, the latest position having served as a senior vice president of clinical development and cholestasis programme head in Intercept Pharmaceuticals Inc., a pharmaceutical company whose shares are listed on NASDAQ Global Market (stock symbol: ICPT). Dr. MacConell has been the chief development officer of U.S. HighTide since February 2021.

Dr. MacConell obtained her bachelor's degree in biopsychology from University of California, Santa Barbara in December 1989 in the United States and her master's and doctoral degree in neuroscience from University of California, San Diego in June 1994 and December 1998 in the United States, respectively.

Ms. YU Meng (于萌), aged 43, was appointed as the deputy general manager of our Group on June 1, 2017. For details of her biography, please refer to "Directors – Executive Directors" above.

Dr. MA Tianwei (馬天偉), aged 58, was appointed as the vice president of discovery research of our Group on February 1, 2023. Dr. Ma is primarily responsible for leading and overseeing the discovery research of our Group.

From March 2000 to March 2018, Dr. Ma worked in Eli Lilly China. From April 2011 to December 2017, Dr. Ma served as a R&D pharmaceutical director in Lilly China Research and Development Center. From July 2018 to August 2019, Dr. Ma served as a vice president in PegBio Co., Ltd. From September 2019 to January 2023, Dr. Ma served as a vice president and the head of chemistry in BioFront Therapeutics, Beijing. Dr. Ma has been the vice president of Shanghai Fusion since February 2023.

Dr. Ma obtained his bachelor of science degree in organic chemistry from Nankai University (南開大學) in July 1989 in the PRC and his master of science degree in medicinal chemistry from Beijing Medical Sciences University in July 1992 in the PRC, which was later merged into Peking University (北京大學) in April 2000 in the PRC. Dr. Ma obtained his doctorate degree from University of Georgia in June 1997.

Ms. YU Li (于莉), aged 48, was appointed as the vice president of our Group on February 28, 2018. Ms. Yu Li joined our Group on November 15, 2011 as a vice general manager of Shenzhen HighTide. Ms. Yu Li is primarily responsible for the management of administration of our Group.

Ms. Yu Li served as an engineer of Shandong Xinhua Pharmaceutical Co., Ltd. (山東新華製藥股份有限公司), a pharmaceutical company whose shares are listed on Shenzhen Stock Exchange (stock code: 000756) from July 1998 to February 2003, where she was mainly responsible for supervising production. From May 2003 to December 2007, Ms. Yu Li served in Shanghai Yoseen New Drug R&D Co., Ltd. (上海玉森新藥開發有限公司) with her last position being a senior manager of registration department, where she was mainly responsible for development and regulatory affairs of new drugs. From July 2009 to February 2010, Ms. Yu Li served as a regulatory affairs manager of Stealth Peptides International (Shanghai) Inc. (康肽德生物醫藥技術(上海)有限公司) (currently known as Tealth Peptides International (Shanghai) Inc. (世耀生物醫藥技術(上海)有限公司)). From March 2010 to August 2011, Ms. Yu Li served as a regulatory affairs manager of All Pharma (Shanghai) Trading Co., Ltd. (阿樂濱度(上海)貿易有限公司). Ms. Yu Li has been the vice president of Shenzhen HighTide since November 2011, the vice president of Australia HighTide since August 2015 and the manager of Hebei Puhui since September 2023. Ms. Yu Li has been the chief executive officer of Shenzhen HighTide, JSK Healthcare, Shanghai Fusion and Nanchang Fusion since March 2025.

Ms. Yu Li obtained her bachelor's degree in traditional Chinese medicine from Shandong University of Traditional Chinese Medicine (山東中醫藥大學) in July 1998 in the PRC.

Ms. Yu Li obtained her master's degree in traditional Chinese medicine from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) through on-the-job learning in July 2007 in the PRC.

Ms. BAI Ru (白茹), aged 40, was appointed as the director of non-clinical development of our Group on November 1, 2020. Ms. Bai joined our Group on February 6, 2012 as a project manager of pharmacology. Ms. Bai is primarily responsible for management of the preclinical pharmacology, pharmacokinetics and toxicology of our Group.

Ms. Bai served in Shenzhen Dong Yangguang Industrial Development Co., Ltd. (深圳市東陽光實業發展有限公司) from July 2011 to February 2012. Ms. Bai has been the non-clinical development director of Shenzhen HighTide since November 2020.

Ms. Bai obtained her bachelor's degree in biotechnology from China Pharmaceutical University (中國藥科大學) in July 2008 in the PRC. Ms. Bai obtained her master's degree in chemical biology from Nankai University (南開大學) in June 2011 in the PRC. She was qualified as an intermediate pharmaceutical manufacturing engineer by Shenzhen Pharmaceutical Senior Professional Title Review Committee in May 2022.

JOINT COMPANY SECRETARIES

Ms. YU Li (于莉), aged 48, was one of our joint company secretaries from May 15, 2023 to December 19, 2024. For details of her biography, please refer to "Senior Management" above.

Ms. GAO Liping (高麗萍), aged 44, one of our joint company secretaries, was appointed on December 19, 2024. Ms. Gao has been focusing on capital market and investor relations management over 15 years. Ms. Gao has been serving as the investor relations director of the Company since October 2022.

Ms. Gao obtained a bachelor's degree in International Relations from Peking University (北京大學) in 2003, and a master degree in Business Administration from Aberdeen University of UK in 2004. She also obtained qualifications as a Certified Management Accountants of USA.

Ms. CHU Pik Man (朱璧敏), aged 28, one of our joint company secretaries, was appointed on December 11, 2023. Ms. Chu is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited.

Ms. Chu obtained her bachelor's degree of business administration (honours) in corporate governance concentration from Hong Kong Shue Yan University in July 2018. Ms. Chu is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators).

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this annual report, for the year ended December 31, 2024 and up to the date of this annual report, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Directors are of the view that throughout the Reporting Period, the Company has complied with all applicable code provisions of the Corporate Governance Code save and except for the following deviation from code provision C.2.1 of the Corporate Governance Code.

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Liu Liping ("**Dr. Liu**") has been serving as the chairwoman of the Board since the Listing and Chief Executive Officer since February 2018. With extensive experience in the pharmaceutical industry and having served in our Company since its establishment, Dr. Liu is in charge of overall strategic planning, business direction and operational management of our Group. Our Board considers that vesting the roles of chairwoman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board and our senior management, which comprises experienced and diverse individuals. Our Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors, and therefore has a strong independence element in its composition.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairperson and the chief executive officer is necessary.

Meanwhile, based on the CG Code, the Company has also formulated a series of internal control and corporate governance policies (such as Information Disclosure Management, Policy for Reporting Concerns in Confidence, Shareholders' Communication Policy, Insider Dealing Policy, Policy on Environment, Social and Corporate Governance Responsibilities, etc.) as well as the Terms of Reference of Nomination Committee, Remuneration Committee and Audit Committee, to achieve the objective of good corporate governance. This report will further clarify how the Company applies the principles of good corporate governance as set out in the CG Code, so as to enable shareholders' evaluation of such application.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code throughout the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the employees of the Company who are likely to be in possession of inside information of the Company throughout the Reporting Period.

CORPORATE GOVERNANCE REPORT

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the Company's best interests. The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities. To better manage the Group's corporate governance performance and identify potential risks, the Board conducts annual review ensuring the effectiveness of Board independence.

As of the date of this annual report, our Board of Directors comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. LI Li resigned as a non-executive Director with effect from February 2, 2024.

During the Reporting Period and up to the date of this annual report, the composition of the Board comprised the following Directors:

Executive Directors

Dr. LIU Liping (劉利平)
(*Chairwoman of the Board and chief executive officer of the Company*)
Ms. YU Meng (于萌)

Non-executive Directors

Dr. ZHU Xun (朱迅)
Mr. MA Lixiong (馬立雄) *(Deputy Chairman of the Board with effect from March 28, 2025)*
Mr. JIANG Feng (江峰)
Mr. LI Li (李鋰) (*resigned with effect from February 2, 2024*)

Independent Non-executive Directors

Mr. TAN Bo (譚擘)
Dr. Jin LI (李靖)
Mr. HUNG Tak Wai (孔德偉)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

BOARD MEETINGS

Code provision C.5.1 of the CG Code stipulates that 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 communications. Code provision C.2.7 of the CG Code requires that the Chairwoman should at least annually hold meetings with independent non-executive directors without the presence of other directors.

During the Report Period, four Board meetings were held and the Chairwoman held a meeting with the independent non-executive Directors without the presence of other Directors. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code, and to hold a meeting between the Chairwoman and the independent non-executive Directors without the presence of other Directors in accordance with code provision C.2.7 of the CG Code.

Notice of at least 14 days will be given of a regular board meeting to give all Directors an opportunity to attend. For all other board meetings, reasonable notice will be given. All Directors have the opportunity to include matters in the agenda for a regular Board meeting. Meeting agenda together with relevant information will be sent to all Directors at least 3 days before each Board meeting. Board minutes are kept to record the matters discussed and decision resolved at the Board meetings and circulated to the Board for comment within a reasonable time after each meeting. Board minutes are kept by the Company secretary and are available for inspection by Directors.

A summary of the attendance record of the Directors at Board meetings and Board committee meetings held during the Reporting Period and up to the date of this annual report is set out in the following table:

	Number of meeting(s) attended/ number of meeting(s) held			
Name of Director	Board meeting[(1)]	Audit Committee meeting[(2)]	Remuneration Committee meeting[(3)]	Nomination Committee meeting[(4)]
Executive Directors:				
Dr. LIU Liping	4/4	N/A	1/1	1/1
Ms. YU Meng	4/4	N/A	N/A	N/A
Non-executive Directors:				
Dr. ZHU Xun	4/4	N/A	N/A	N/A
Mr. MA Lixiong	4/4	N/A	N/A	N/A
Mr. JIANG Feng	4/4	N/A	N/A	N/A
Mr. LI Li *(resigned with effect from February 2, 2024)*	N/A	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. TAN Bo	4/4	3/3	1/1	N/A
Dr. LI Jin	4/4	3/3	1/1	1/1
Mr. HUNG Tak Wai	4/4	3/3	N/A	1/1

Notes:

(1) Four Board meetings were held on March 27, 2024, April 22, 2024, August 28, 2024 and December 11, 2024..

(2) Three meetings of the Audit Committee were held on March 27, 2024, August 28, 2024 and December 11, 2024.

(3) One meeting of the Remuneration Committee was held on April 22, 2024.

(4) One meeting of the Nomination Committee was held on March 27, 2024.

GENERAL MEETING

During the Reporting Period, the annual general meeting was held on May 16, 2024. Dr. LIU Liping, Ms. YU Meng and Mr. MA Lixiong attended the annual general meeting. The other Directors did not attend the annual general meeting due to their other business commitments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

During the year ended December 31, 2024, the Company did not receive from the independent non-executive Directors information of any subsequent change of circumstances which may affect his/her independence. The Company has received from each of its independent non-executive Directors an annual confirmation of his independence, and the Board has considered the independence of each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years with effect from the Listing Date and continue for a period of three years after or until the third annual general meeting of our Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

The Company has established mechanisms to ensure independent views and input are available to the Board, and channels are in place through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner as well as in a confidential manner, should circumstances so require; these include regular Board surveys and Board reviews, dedicated meeting sessions with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom. The mechanism to ensure that independent views and input are available to the Board is reviewed annually.

The Company will ensure that there are channels (in addition to independent non-executive Directors) where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice to assist their performance of duties.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting of the Company. Pursuant to the Articles of Association, 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 and be eligible for re-election at each annual general meeting of the Company, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

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

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 to safeguard in the interests of the Company and its shareholders. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Before entering into any significant transactions or commitments on behalf of the Company, senior management should obtain prior approval and authorization from the Board.

All Directors, including non-executive Directors 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. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. 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.

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. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the CG Code. 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 and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. TAN Bo (譚擘), Dr. Jin LI (李靖) and Mr. HUNG Tak Wai (孔德偉). Mr. TAN Bo (譚擘) being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee had reviewed, together with the management, the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters, including a review of the audited consolidated financial statements of the Group for the Reporting Period.

During the Reporting Period, the Audit Committee held three meetings. The attendance record of the Directors at meeting of the Audit Committee is set out in the table on page 58.

During the above meetings, the Audit Committee has considered and reviewed the annual financial results for the year ended December 31, 2024, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company. The Audit Committee considers that the annual financial results for the year ended December 31, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has met with the independent auditor of the Company, Moore HK, and has also discussed matters with respect to the accounting policies and practices adopted by the Company.

During the year ended December 31, 2024, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Dr. LIU Liping (劉利平), Mr. TAN Bo (譚擘) and Dr. Jin LI (李靖). Dr. Jin LI (李靖) is the chairman of the committee. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving management's remuneration proposals with reference to the Board's goals and objectives; (iii) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee held one meeting. The attendance record of the Directors at meeting of the Remuneration Committee is set out in the table on page 58.

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee, having regard to the individual performance and comparable market statistics. The remuneration of the members of senior management by band for the year ended December 31, 2024 is set out below:

Band of remuneration (including share award expenses)	Number of individuals
HK$2,500,001 – HK$3,000,000	1
HK$3,500,001 – HK$4,000,000	1
HK$6,500,001 – HK$7,000,000	1
HK$12,000,001 – HK$12,500,000	1
HK$12,500,001 – HK$13,000,000	1
HK$18,000,001 – HK$18,500,000	1
HK$31,500,001 – HK$32,000,000	1
TOTAL	7

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Dr. LIU Liping (劉利平), Dr. Jin LI (李靖) and Mr. HUNG Tak Wai (孔德偉). Dr. LIU Liping (劉利平) is the chairwoman of the committee. The primary functions of the Nomination Committee include, without limitation, reviewing annually the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

During the Reporting Period, the Nomination Committee held one meeting to (i) review the structure, size and composition of the Board; (ii) make recommendation to the Board in respect of the reappointment of Directors; (iii) assess the independence of the independent non-executive Directors; and (iv) review the Company's director nomination policy (the "**Nomination Policy**") and the Company's board diversity policy (the "**Board Diversity Policy**"), to ensure that it is in compliance with the Listing Rules and the CG Code. The attendance record of the Directors at meeting of the Nomination Committee is set out in the table on page 58. The Board considered that an appropriate balance of diversity perspectives of the Board was maintained for the Reporting Period.

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 Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Board Diversity Policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, the Company has adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

The Directors have a balanced mix of knowledge and skills, including in biochemistry, pharmaceuticals, business development, research and development, investment management and corporate finance. They range from 43 years old to 66 years old, holding degrees in various majors including biology, pharmaceuticals, economics and business development, among others. We have three independent non-executive Directors with different industry backgrounds, representing at least one-third of the members of our Board. Furthermore, In respect of gender diversity, we recognize the particular importance of gender diversity. As of the date of this report, the Board comprises two female Directors and six male Directors. The Board is of the view that gender diversity has been achieved in respect of the Board. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. We expect to maintain such gender ratio at the Board level going forward. In particular, we will actively identify female individuals suitably qualified to become our Board members. We will ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

As of December 31, 2024, we had 70 full-time employees, of which 25 were male and 45 were female. The gender ratio in the workforce (including senior management) was approximately 36% males to 64% females. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

During the Reporting Period, the Nomination Committee has reviewed the diversity of the Board and considered that the Group has achieved the measurable objectives of the Board Diversity Policy in terms of professional experience, skills, knowledge, gender, age and length of service etc. The Nomination Committee is responsible for ensuring the diversity of the Board members.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy annually to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Measurable objectives

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of biochemistry, pharmaceuticals, business development, research and development, investment management and corporate finance backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board consists of at least a female director.

Apart from the above objectives, the Board Diversity Policy has complied with the following objectives with the Listing Rules:

1. at least one-third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Board Diversity Policy.

Dividend Policy

The Company has never declared or paid regular cash dividends on its ordinary Shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The determination to pay dividends will be made at the discretion of the Board and will be based upon the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of the Group and any other conditions that the Directors deem relevant.

Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits and/or share premium account, provided that in no circumstances may a dividend be paid our of share premium if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

Nomination Policy

The Board has adopted a Nomination Policy with regard to nomination of Directors. The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Company's Board diversity policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board, including his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment. The Nomination Committee will review the Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision A.2.1 of the CG Code to the Audit Committee. During the Reporting Period, the Audit Committee has reviewed 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 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.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the 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 that their contribution to the Board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended December 31, 2024, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

During the Reporting Period, all Directors, namely Dr. LIU Liping, Ms. YU Meng, Mr. LI Li (who resigned with effect from February 2, 2024), Dr. ZHU Xun, Mr. MA Lixiong, Mr. JIANG Feng, Mr. TAN Bo, Dr. Jin LI and Mr. HUNG Tak Wai, have participated in training sessions conducted by the legal advisers of the Company, and have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are asked to submit a signed training record to the Company on an annual basis. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Moore HK, as the external auditor for the year ended December 31, 2024. A statement by Moore HK about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 71 to 75 of this annual report. Details of the fees paid/payable in respect of the audit services provided by Moore HK for the year ended December 31, 2024 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000
Audit services	1,550
Total	1,550

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The systems of risk management and internal control 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.

We have established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effective of the Company's risk management and internal control systems, and to resolve material internal control defects, if any. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit team of any risks or internal control measures.

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

- The Audit Committee will oversee the Company's financial reporting system, risk management and internal control procedures, including (i) reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems; (ii) discussing the risk management and internal control system with the senior management and to ensure that the Senior Management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and (iii) ensuring the appropriate application of our risk management framework across the Group.

- The relevant departments in our Company are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) identify the source of the risks and potential impact, (ii) monitor the development of such risks, and (iii) prepare risk management reports periodically.

- The Company will provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

The risk management and internal control systems of the Company are reviewed on an annual basis. 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, internal control or other matters of the Company. We consider that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. 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 Company has adopted various measures and procedures regarding each aspect of its business operation. The Company provides training about these measures and procedures to new employees. The Company also constantly monitors the implementation of those measures and procedures. The Company maintains strict anti-corruption policies on personnel with external communication functions.

The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities. The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations.

The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

During the Reporting Period, the Company has regularly reviewed and enhanced its risk management and internal control systems. We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board has conducted a review of the effectiveness of the risk management and internal control systems and considers these systems in respect of the year ended December 31, 2024 effective and adequate. No significant area of concern was identified as part of the review. During the Reporting Period, the Board has conducted a review on resources, staff qualifications and experience, budget of the issuer's accounting, internal audit and financial reporting functions and consider them adequate.

The Company has 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 has established procedures for identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, preclearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group.

Whistleblowing policy

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee of the Company shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Anti-corruption Training

Honesty and fairness are important assets of the Group's business. The Group endeavours to maintain a high level of the ethical corporate culture. The Group provides anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations. During the Reporting Period, the Company complied with the provisions on prohibiting corruption and bribery under the "Criminal Law of the People's Republic of China" as well as any legal provisions and requirements for listed companies in Hong Kong, and was not involved in any legal prosecution of corruption.

JOINT COMPANY SECRETARIES

Ms. Gao Liping was appointed as joint company secretary of the Company and Ms. Yu Li resigned as joint company secretary of the Company with effect from December 19, 2024. Ms. Gao and Ms. Chu Pik Man are the Company's joint company secretaries. Ms. Chu is currently an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Gao, a joint company secretary of the Company, has been designated as the primary contact person of Ms. Chu at the Company who would work and communicate with Ms. Chu on the Company's corporate governance and secretarial and administrative matters. All Directors have access to the advice and services of the joint company secretaries of the Company on corporate governance and board practices and matters. Ms. Gao and Ms. Chu have confirmed that each of them has received not less than 15 hours of relevant professional training during the Reporting Period in compliance with Rule 3.29 of the Listing Rules. Biographical details of Ms. Gao and Ms. Chu are set out in the section headed "Directors and Senior Management" of this annual report.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to the Articles of Association, an EGM shall be called by notice in writing of not less than 14 days. Any 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 of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the Company's head office and principal place of business in the PRC at Floor 9 to 10, Building D, Shenfang Park, Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone, FuBao Community, Fubao Street, Futian District, Shenzhen, Guangdong, PRC, for the attention of the Board of Directors.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within two (2) months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition.

If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM within a further 21 days, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Act of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For proposal of a person for election as Director, pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the share registrar provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries unless it is any report or concerns raised about any possible improprieties in any matter related to the Company.

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

Address:	Floor 9 to 10, Building D, Shenfang Park, Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone, FuBao Community, Fubao Street, Futian District, Shenzhen, Guangdong Province, China
Telephone:	+86 0755 26626253
Email:	Investor@hightidetx.com

SHAREHOLDERS ENGAGEMENT

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investor's understanding of the Company's business performance and strategies. The Company has adopted a Shareholders' communication policy ("**Communication Policy**") with the aim of promoting effective communication with the Shareholders and other stakeholders, encouraging the Shareholders to engage actively with the Company, and enabling the Shareholders to exercise their rights as shareholders effectively.

The Communication Policy has set out means of communication by Shareholders and the investment community, for example, Shareholders and the investment community may contact the Company's investor relations department to enquire about the information published by the Company. Information uploaded by the Company to the Stock Exchange's website is also posted on the Company's website in a timely manner as required by the Listing Rules. Such information includes announcements, circulars and notices of general meetings and other documents. Shareholders are encouraged to participate in general meetings (including annual general meetings) and to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services, etc. will be communicated. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. These channels allow us to receive feedback from our Shareholders and the investment community.

The implementation and effectiveness of the Communication Policy has been reviewed by the Board during the Reporting Period and considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company did not make any changes to its constitutional documents during the year ended December 31, 2024. An up to date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

MOORE

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report
to the Members of HighTide Therapeutics, Inc.
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HighTide Therapeutics, Inc. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 76 to 136, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements presented fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development costs	
The Group incurred significant research and development ("**R&D**") expenses of approximately RMB363,525,000, as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2024. A large portion of the Group's R&D expenses represented service fees paid to contract research organisations, contract development and manufacture organisations and site management organisation (collectively referred to as the "**Outsourced Service Providers**"). The R&D activities with these Outsourced Service Providers are documented in detailed agreements and are typically performed over an extended period. These expenses are charged to the consolidated statement of profit or loss based on the milestone of the R&D projects. We identified the cut-off of R&D expenses as a key audit matter due to the significant amount and risk of not accruing R&D costs incurred in the appropriate reporting period. The Group's disclosures about the accounting policies of research and development costs and the significant accounting judgments and estimates applied are included in notes 2.4 and 3 to the consolidated financial statements respectively.	Our procedures in relation to the cut-off of research and development expenses included the following: (1) We obtained an understanding of management's controls in relation to the process of R&D costs, and we evaluated the design of the controls and tested implementation effectiveness of the controls. (2) We, on a sampling basis, checked the key terms set out in the R&D expenses related agreements with the Outsourced Service Providers and evaluated the reasonableness of the completion progress of the R&D projects based on inquiry with project managers, inspection of supporting documents and by obtaining external confirmations from the Outsourced Service Providers. (3) We evaluated the adequacy of the accrued R&D expenses by comparing the subsequent milestone billings and payments with the accrued R&D expenses to determine whether these costs were recorded in the appropriate reporting period.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 IFRSs issued by the 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore CPA Limited
Certified Public Accountants

Hung Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 28 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Other income	5	**67,971**	34,214
Fair value losses on convertible redeemable preferred shares	22(iv)	**–**	(522,160)
Other gains and losses, -net	5	**(3,202)**	(2,647)
Research and development costs		**(363,525)**	(311,567)
Administrative expenses		**(81,229)**	(136,670)
Finance costs	7	**(1,534)**	(400)
LOSS BEFORE INCOME TAX	6	**(381,519)**	(939,230)
Income tax expenses	10	**(269)**	(76)
LOSS FOR THE YEAR AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(381,788)**	(939,306)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year (RMB per share)	12	**(0.84)**	(3.62)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	2024 *RMB'000*	2023 *RMB'000*
LOSS FOR THE YEAR	**(381,788)**	(939,306)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of subsidiaries	**(4,530)**	(2,031)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of the Company	**10,780**	(11,411)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**6,250**	(13,442)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(375,538)**	(952,748)
Attributable to:		
Owners of the parent	**(375,538)**	(952,748)

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 *RMB'000*	2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,270**	2,410
Right-of-use assets	14	**18,621**	12,571
Rental deposits		**1,580**	1,302
Long-term bank deposit	17(b)	**21,089**	–
Total non-current assets		**46,560**	16,283
CURRENT ASSETS			
Prepayments, other receivables and other assets	15	**22,284**	42,748
Income tax recoverable		**565**	304
Financial assets at fair value through profit or loss ("**FVTPL**")	16	**179,772**	127,489
Cash and cash equivalents	17(a)	**310,750**	608,212
Total current assets		**513,371**	778,753
CURRENT LIABILITIES			
Trade payables	18	**51,473**	30,507
Other payables and accruals	19	**6,054**	43,336
Interest-bearing bank borrowings	20	**46,934**	3,500
Lease liabilities	14	**5,485**	2,468
Total current liabilities		**109,946**	79,811
NET CURRENT ASSETS		**403,425**	698,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**449,985**	715,225

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 *RMB'000*	2023 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities	14	**15,531**	10,464
Interest-bearing bank borrowings	20	**9,955**	–
Deferred income	21	**331**	1,987
Total non-current liabilities		**25,817**	12,451
Net assets		**424,168**	702,774
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	**364**	364
Treasury shares		**(44)**	(44)
Reserves	23	**423,848**	702,454
Total equity		**424,168**	702,774

Dr. LIU Liping
Director

Ms. YU Meng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable owners of the parent								
	Share capital *RMB'000* (note 22)	Treasury shares *RMB'000*	Premium on ordinary Shares *RMB'000*	Premium on Series A convertible preferred *RMB'000* (Note 22(i))	Premium on Series B1 and B2 convertible preferred shares *RMB'000* (Note 22(iv))	Share option reserve *RMB'000* (Note 25)	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2023	36	(6)	30,612	96,401	156,319	33,033	(29,918)	(757,005)	(470,528)
Loss for the year	–	–	–	–	–	–	–	(939,306)	(939,306)
Other comprehensive loss for the year	–	–	–	–	–	–	(13,442)	–	(13,442)
Total comprehensive loss for the year	–	–	–	–	–	–	(13,442)	(939,306)	(952,748)
Consolidation of special purpose vehicles for the share-based payment plan	3	(1)	–	–	–	–	–	–	2
Equity-settled share option arrangements	–	–	–	–	–	93,493	–	–	93,493
New issue of ordinary shares upon global offering	17	–	252,878	–	–	–	–	–	252,895
Share issue expenses	–	–	(28,619)	–	–	–	–	–	(28,619)
Repurchase of shares from the 2023 ESOP Platform (note 25)	(10)	–	10	–	–	–	–	–	–
Shares issued pursuant to capitalisation issue (note 22(ii))	298	(37)	(261)	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares to ordinary shares upon global offering	20	–	2,060,979	(96,401)	(156,319)	–	–	–	1,808,279
At 1 January 2024	**364**	**(44)**	**2,315,599**	**–**	**–**	**126,526**	**(43,360)**	**(1,696,311)**	**702,774**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(381,788)**	**(381,788)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**6,250**	**–**	**6,250**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**6,250**	**(381,788)**	**(375,538)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**–**	**96,932**	**–**	**–**	**96,932**
At 31 December 2024	**364**	**(44)**	**2,315,599**	**–**	**–**	**223,458**	**(37,110)**	**(2,078,099)**	**424,168**

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(381,519)**	(939,230)
Adjustments for:			
Finance costs	7	**1,534**	400
Depreciation of property, plant and equipment	13	**1,009**	537
Depreciation of right-of-use assets	14	**4,887**	1,292
Equity-settled share option arrangements	25	**96,932**	93,493
Bank interest income	5	**(3,051)**	(1,854)
Investment income from short-term time deposits	5	**(14,700)**	(22,245)
Fair value losses on financial assets at FVTPL	5	**6,109**	–
Fair value losses on convertible redeemable preferred shares	22(iv)	**–**	522,160
Amortisation of government grants income	21	**(1,656)**	(2,806)
Loss on disposal of items of property, plant and equipment	5	**212**	–
Other investment income from financial assets at FVTPL	5	**(11,429)**	(181)
Investment related expenses	6	**2,916**	2,516
Foreign exchange differences, net	5	**(3,119)**	885
Operating loss before changes in working capital		**(301,875)**	(345,033)
Decrease/(increase) in prepayments, other receivables and other assets		**20,252**	(34,581)
(Decrease)/increase in other payables and accruals		**(37,279)**	14,620
Increase in trade payables		**20,966**	8,808
Decrease in deferred income	21	**–**	(326)
Cash used in operations		**(297,936)**	(356,512)
Income tax paid		**(530)**	(105)
Net cash flows used in operating activities		**(298,466)**	(356,617)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for rental deposits		**(1,509)**	(1,302)
Refunds of rental deposits		**1,232**	–
Purchases of items of property, plant and equipment	13	**(4,285)**	(801)
Placement of short-term time deposits		**–**	(38,200)
Placement of long-term bank deposit		**(20,000)**	–
Placement of bank deposits with maturity over three months		**(21,755)**	(166,557)
Purchase of financial assets at FVTPL		**(268,549)**	(173,189)
Investment related expenses paid	6	**(2,916)**	(2,516)
Bank interest received		**3,051**	1,854
Receipts of investment income from short-term time deposits		**13,611**	22,245
Withdrawal of short-term time deposits		**–**	462,116
Withdrawal of bank deposits with maturity over three months		**21,886**	165,825
Proceeds from disposal of financial assets at FVTPL		**213,145**	45,700
Receipts of investment income from financial assets at FVTPL	5	**11,429**	181
Net cash flows (used in)/generated from investing activities		**(54,660)**	315,356

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**61,831**	5,000
Repayment of bank loans		**(8,442)**	(9,650)
Principal portion of lease payments		**(2,856)**	(983)
Interest paid	7	**(1,534)**	(400)
Proceeds from issue of ordinary shares		**–**	252,895
Listing expenses paid		**–**	(27,721)
Proceeds from restricted cash release		**–**	141,962
Net cash flows generated from financing activities		**48,999**	361,103
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(304,127)**	319,842
Cash and cash equivalents at beginning of year		**608,212**	273,047
Effect of foreign exchange rate changes, net		**6,665**	15,323
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	**310,750**	608,212

1. CORPORATE AND GROUP INFORMATION

HighTide Therapeutics, Inc. was established in the Cayman Islands on 28 February 2018 by Great Mantra Group Limited and its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. and the address of principal place of business is 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") are involved in the research and development of pharmaceutical products. In the opinion of the directors of the Company (the "**Directors**"), the ultimate holding company of the Group is HighTide Therapeutics, Inc., a company incorporated in the Cayman Islands which is ultimately controlled by Dr. LIU Liping.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 December 2023 (the "**Listing Date**").

Information about subsidiaries and structured entities

(a) As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			2024		2023		
			Direct	Indirect	Direct	Indirect	
HighTide Therapeutics Ltd.	British Virgin Islands 16 March 2018	1,000 shares of par value USD1 each	100%	–	100%	–	Investment holding
HighTide Therapeutics USA, LLC ("**HighTide USA**")	United States of America ("**USA**") 24 January 2018	USD0	100%	–	100%	–	Assist in research and development
HighTide Therapeutics (Hong Kong) Limited ("**HK HighTide**")	Hong Kong 9 April 2018	1 share of HK$1	–	100%	–	100%	Investment holding
Shenzhen HighTide Biopharmaceutical Ltd. ("**Shenzhen HighTide**")*	Chinese Mainland 15 November 2011	RMB418,605,000	–	100%	–	100%	Research and development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries and structured entities (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
			2024		2023		
			Direct	Indirect	Direct	Indirect	
Shanghai HighTide Biopharmaceutical Ltd ("**Shanghai HighTide**") (i).*	Chinese Mainland 14 March 2014	RMB5,000,000	–	–	–	100%	Research and development
JSK Consumer Healthcare Ltd*	Chinese Mainland 21 July 2015	RMB5,000,000	–	100%	–	100%	Research and development
HighTide Biopharma Pty. Ltd.	Australia 15 July 2015	10,000 shares of par value AUD0.1 each	–	100%	–	100%	Research and development
Shanghai Fusion Therapeutics Ltd.*	Chinese Mainland 20 May 2021	RMB1,000,000	–	100%	–	100%	Research and development
Nanchang Fusion Therapeutics Ltd.*	Chinese Mainland 29 November 2021	RMB56,000,000	–	100%	–	100%	Research and development
Hebei Puhui Pharmaceutical Co., Ltd.*	Chinese Mainland 27 September 2023	RMB100,000,000	–	100%	–	100%	Research and development

Notes:

(i) On 27 June 2024, Shanghai HighTide was deregistered.

(ii) None of the subsidiaries had issued debt securities at the end of the year.

* The English names of these companies represent the best effort made by the Directors to translate the Chinese names as these companies have not been registered with any official English names.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries and structured entities (continued)

(b) Particulars of the Company's structured entities are as follows:

Name	Attributable equity interest	Paid-in capital	Principal activities
Apollo Multi-Asset Growth Fund	100%	USD12,375,000	Multi-asset portfolio investment
Chaince Capital Fund LP	100%	USD12,375,000	Multi-asset portfolio investment

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("**IFRSs**"), which include all standards and interpretations approved by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for unlisted fund investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi (RMB) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1 Basis of preparation (continued)

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

In the preparation of the consolidated financial statements for the year ended 31 December 2024, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024:

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

Except as described below, the adoption of the above amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in theses consolidated financial statements.

Impacts on adoption of Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The Group has adopted the amendments for the first time in current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 Changes in accounting policies and disclosures (continued)

Impacts on adoption of Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") *(continued)*

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. Covenants with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial adoption of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet effective IFRSs

The Group has not adopted the early application of the following new and amendments to IFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – dependent Electricity	1 January 2026
Amendments to IFRS Accounting Standards	Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18	Presentation and Disclosure in financial Statements	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery and equipment	9.5% to 19%
Furniture, fittings and equipment	9.5% to 19%
Leasehold improvements	The shorter of remaining lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Leases *(continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Property, office premises and plant	2 to 5 years
Equipment	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Leases *(continued)*

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired; or

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Impairment of financial assets *(continued)*

General approach

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or at fair value through profit or loss, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and convertible redeemable preferred shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and bank borrowings)

After initial recognition, trade and other payables, and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Financial liabilities *(continued)*

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities such as the convertible redeemable preferred shares designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss.

The convertible redeemable preferred shares with embedded derivatives whose economic risks and characteristics are not closely related to those of the host contract (the liability component) as a whole are designated as financial liabilities at fair value through profit or loss on initial recognition. Any directly attributable transaction costs are recognised as finance costs in the statement of profit or loss. Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group's derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Share-based payments *(continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non – vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The employees of the Group's subsidiary which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Other employee benefits *(continued)*

Pension schemes (continued)

The subsidiary in the USA maintains multiple qualified contributory savings plans as allowed under Internal Revenue Code section 401(k) in the USA. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employees' compensation. The only obligation of the subsidiary in the USA with respect to the retirement benefit plans is to make the specified contributions under the plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for the eligible employees from Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These consolidated financial statements are presented in RMB, which is different from the Company's functional currency, the United States dollar ("**USD**"). As the major assets of the Group are derived from operations in Chinese Mainland, RMB is chosen as the presentation currency to present the consolidated financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Material accounting policy information (continued)

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve and are not reclassified to profit or loss subsequently, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Research and development costs

All research costs are charged to the consolidated statement of profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development expenses in note 2.4. Determining the amounts to be capitalised requires management to make judgements regarding the technical feasibility of the existing pipelines to be successfully commercialised and to generate economic benefits for the Group. The Group currently expenses all the milestone and upfront payments under the drug licensing agreements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Research and development expenses

The Group relies on contract research organisations, contract development and manufacture organisations and site management organisation (collectively referred to as the "**Outsourced Service Providers**") to conduct, supervise and monitor the Group's ongoing clinical trials. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as the number of patient enrolments, time elapsed and milestone achieved.

Fair value of financial assets at FVTPL

The Group has used market method of recent transaction valuation for the valuation of the investments in listed equities not quoted in active markets at 31 December 2024 as detailed in note 29 to the financial statements. In the absence of quoted market price of investments in active markets, fair values of investments are determined by the management by reference to the indicative prices of the investments that are subject to uncertainty. The Group classifies the fair values of these investments as Level 1 and 2. The fair values of the investments in financial assets at FVTPL at 31 December 2024 was approximately RMB179,772,000 (2023: approximately RMB127,489,000). Further details are given in note 16.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical research and development, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Geographical information

During the reporting period, since almost all of the Group's non-current assets were located in Chinese Mainland, no geographical segment information in accordance with IFRS 8 Operating Segments is presented.

Information about major customers

No revenue was derived during the year ended 31 December 2024 and no information about major customers is presented (2023: same).

5. OTHER INCOME AND OTHER GAINS AND LOSSES, -NET

An analysis of other income and other gains and losses, -net is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Other income		
Government grants related to expense items*	38,195	9,769
Government grants related to assets**	157	132
Bank interest income	3,051	1,854
Investment income from short-term time deposits	14,700	22,245
Other investment income from financial assets at FVTPL	11,429	181
Others	439	33
Total other income	67,971	34,214
Other gains and losses, -net		
Fair value losses of financial assets at FVTPL	(6,109)	–
Foreign exchange gains/(losses), net	3,119	(885)
Loss on disposal of items of property, plant and equipment	(212)	–
Others	–	(1,762)
	(3,202)	(2,647)

* Government grants related to expense items mainly represent subsidies received from the local governments for the purpose of compensation of expense spent on research and clinical trial activities, allowance for new drug development and talent funds. The main grantors for the year are the Development and Reform Commission of Shenzhen and Construction and Development Affairs Office of Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone, Futian District, Shenzhen. Government grants received for which related expenses have not yet been incurred are included in deferred income in the consolidated statement of financial position.

** Government grants related to assets are credited to deferred income (Note 21) and released to the consolidated statement of profit or loss in equal annual instalments over the estimated useful lives of the related assets.

6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment	13	**1,009**	537
Depreciation of right-of-use assets	14	**4,887**	1,292
Listing expenses		**–**	35,210
Other professional service fees*		**14,705**	42,776
Lease payments relating to short-term and low-value assets	14	**1,141**	1,924
Auditor's remuneration		**2,224**	2,040
Investment related expenses		**2,916**	2,516
Research and development costs:			
Third-party contracting expenses		**263,913**	203,258
Staff costs		**35,350**	39,288
Expenses under the employee long-term incentive plans		**56,708**	59,711
Others		**7,554**	9,310
		363,525	311,567
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**37,094**	48,129
Equity-settled share option expense		**64,835**	62,505
Pension scheme contributions (defined contribution schemes), social welfare and other welfare		**6,246**	5,653
Total		**108,175**	116,287

* Other professional service fees mainly consisted of business consulting fees and other service fees paid to third-party professional service providers.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2024 *RMB'000*	2023 *RMB'000*
Interest on interest-bearing bank borrowings		**697**	262
Interest on lease liabilities	14	**837**	138
Total		**1,534**	400

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the "**Listing Rules**, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 *RMB'000*	2023 *RMB'000*
Mr. TAN Bo	**184**	4
Dr. LI Jin	**184**	4
Mr. HUNG Tak Wai	**184**	4
Total	**552**	12

Mr. TAN Bo, Dr. LI Jin and Mr. HUNG Tak Wai were appointed as independent non-executive directors of the Company with effect from 22 December 2023, the Listing Date.

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Notes	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share option expense *RMB'000* (Note 25)	Total *RMB'000*
Year ended 31 December 2024					
Executive directors and chief executive:					
Dr. LIU Liping		**2,913**	**38**	**8,479**	**11,430**
Ms. YU Meng	(i)	**1,105**	**118**	**10,604**	**11,827**
Subtotal		**4,018**	**156**	**19,083**	**23,257**
Non-executive directors:					
Mr. LI Li	(ii)	**–**	**–**	**–**	**–**
Dr. ZHU Xun		**506**	**–**	**787**	**1,293**
Mr. MA Lixiong		**–**	**–**	**12,227**	**12,227**
Mr. JIANG Feng		**–**	**–**	**–**	**–**
Subtotal		**506**	**–**	**13,014**	**13,520**
Total		**4,524**	**156**	**32,097**	**36,777**
Year ended 31 December 2023					
Executive directors and chief executive:					
Dr. LIU Liping		3,538	38	11,087	14,663
Ms. YU Meng	(i)	1,238	111	9,480	10,829
Subtotal		4,776	149	20,567	25,492
Non-executive directors:					
Mr. LI Li	(ii)	–	–	–	–
Dr. ZHU Xun		496	–	1,345	1,841
Mr. YANG Feng	(iii)	–	–	174	174
Mr. MA Lixiong		–	–	8,902	8,902
Mr. JIANG Feng		–	–	–	–
Subtotal		496	–	10,421	10,917
Total		5,272	149	30,988	36,409

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2023: same). And there was no performance related bonus awarded to a director during the year (2023: same).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

Notes:

(i) Ms. YU Meng was appointed as an executive director of the Company on 11 May 2023.

(ii) Mr. LI Li was resigned on 2 February 2024 for the reason that he would like to devote more time to his personal engagement.

(iii) Mr. YANG Feng was resigned on 11 May 2023 for the reason that he would like to devote more time to his investment businesses.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2023: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2023: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Salaries, allowances and benefits in kind	**2,831**	3,101
Equity-settled share option expense (Note 25)	**43,577**	34,250
Pension scheme contributions	**118**	128
Compensation payment	**47**	–
Total	**46,573**	37,479

The two (2023: Two) non-director and non-chief executive highest paid employees whose remuneration fell within the following bands:

	2024	2023
HK$15,000,001 to HK$15,500,000	**–**	1
HK$18,000,001 to HK$18,500,000	**1**	–
HK$25,500,001 to HK$26,000,000	**–**	1
HK$31,500,001 to HK$32,000,000	**1**	–
Total	**2**	2

During the year ended 31 December 2024, there was a compensation payment of approximately RMB47,000 paid to one of the five highest paid employees, who has resigned on 31 December 2024. Except for this, no emolument was paid by the Group to any of the directors 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 (2023: Nil).

During the year ended 31 December 2024, there is no arrangement under which directors waived or agreed to waive any emoluments (2023: Nil).

There was no performance related bonus awarded to the five highest paid employees during the year (2023: same).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("**BVI**"), the subsidiary incorporated in the BVI is not subject to tax on income or capital gains. In addition, upon payments of dividends by these subsidiaries to their shareholders, no BVI withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 8.25% (2023: 8.25%) on the estimated assessable profits arising in Hong Kong during the year.

Chinese Mainland

No provision for Chinese Mainland income tax pursuant to the Corporate Income Tax Law of the People's Republic of China (the "**PRC**") and the respective regulations (the "**CIT Law**") has been made as the Group's subsidiaries which operate in Chinese Mainland are in loss position and have no estimated taxable profits.

Shenzhen HighTide was approved as a high technology enterprise under the relevant tax rules and regulations in December 2019, and accordingly, is entitled to a reduced preferential CIT rate of 15% from 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years. The renewed qualification was obtained in December 2022 and Shenzhen HighTide is entitled a preferential income tax rate of 15% from 2022 to 2024.

JSK Consumer Healthcare Ltd, Hebei Puhui Pharmaceutical Co., Ltd., Shanghai HighTide, Shanghai Fusion Therapeutics Inc. and Nanchang Fusion Therapeutics Inc. have met the requirement under the relevant tax rules and regulations for small and low-profit enterprises, and accordingly, are subject to a reduced preferential CIT rate of 20%, and the portion of the annual taxable income at reduced rates of 25% in 2023 and 2024.

Australia

The subsidiary incorporated in Australia is subject to income tax at the rate of 25% (2023: 25%) on the estimated assessable profits arising in Australia during the year.

10. INCOME TAX (continued)

USA

The subsidiary incorporated in Maryland, the USA is subject to statutory United States federal corporate income tax at a rate of 21% (2023: 21%). In addition, it is also subject to the state income tax in Maryland at a rate of 8.25% (2023: 8.25%) during the year. Other states including California, Florida, and New Jersey also impose state income tax on the subsidiary to the extent that a sufficient nexus, or taxable connection, exists between the subsidiary and the respective states. The subsidiary was subject to the state income tax in California at a rate of 8.84% (2023: 8.84%), in Florida at a rate of 5.50% (2023: 5.50%), and in New Jersey at a rate of 7.50% (2023: 7.50%) during the year.

A reconciliation of the income tax expense applicable to loss before income tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rates, is as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Loss before income tax	**(381,519)**	(939,230)
Tax at the applicable tax rate (25%)	**(95,380)**	(234,808)
Different tax rates enacted by local authorities	**54,428**	185,955
Additional deductible allowance for qualified research and development costs	**(25,480)**	(14,837)
Withholding income tax on overseas dividends	**104**	–
Income not subject to tax	**(31)**	(15)
Expenses not deductible for tax	**8,702**	8,202
Deductible temporary differences and tax losses not recognised	**57,926**	55,579
Tax charge at the Group's effective rates	**269**	76

The Group has accumulated tax losses in Chinese Mainland of approximately RMB934,128,000 (2023: approximately RMB647,003,000) that will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has accumulated tax losses in Hong Kong of approximately RMB11,787,000 (2023: approximately RMB11,221,000) that will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these tax losses of approximately RMB945,915,000 (2023: approximately RMB658,224,000) and certain deductible temporary differences of approximately RMB462,949,000 (2023: approximately RMB366,127,000) as it is not considered probable that taxable profits will be available against which the tax losses or deductible temporary differences can be utilised.

11. DIVIDENDS

No dividend was paid or declared by the Company during the year (2023: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 452,076,548 (2023: 259,688,923) in issue (excluding shares reserved for share incentive scheme) during the year.

In the calculation of the weighted average number of ordinary shares outstanding for the year ended 31 December 2023, the shares issued to existing shareholders before the global offering through the capitalisation issue, as further explained in note 22, had been adjusted retrospectively as if those shares have been issued since 1 January 2023.

No adjustment was made to the basic loss per share amounts presented for the year ended 31 December 2024 and 2023 in respect of a dilution as the impact of the convertible redeemable preferred shares and share-based payment had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	2024 ***RMB'000***	2023 *RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
– Ordinary shares	**(381,788)**	(707,083)
– Series A convertible preferred shares	**–**	(133,354)
– Series B1 convertible preferred shares	**–**	(58,423)
– Series B2 convertible preferred shares	**–**	(40,446)
Total	**(381,788)**	(939,306)

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	2024	2023
Shares		
Weighted average number of participating equity instruments in issue during the year used in the basic loss per share calculation		
– Ordinary shares	**452,076,548**	195,486,779
– Series A convertible preferred shares	**–**	36,867,945
– Series B1 convertible preferred shares	**–**	16,152,028
– Series B2 convertible preferred shares	**–**	11,182,171
Total	**452,076,548**	259,688,923
Loss per share (basic and diluted) (RMB per share)	**(0.84)**	(3.62)

All convertible preferred shares were converted to ordinary shares immediately prior to the completion of the global offering. The weighted average number of ordinary shares through the conversion and the capitalisation issue of the preferred shares were calculated according to the time of conversion. The shares issued to existing shareholders before the global offering through the capitalisation issue had been adjusted retrospectively as if those shares have been issued since 1 January 2023. The weighted average number of ordinary shares for the purpose of the calculation of basic loss per share for the year ended 31 December 2023 has been adjusted retrospectively for the capitalisation issue.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *RMB'000*	Furniture, fittings and equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At 1 January 2023:				
Cost	4,237	1,055	265	5,557
Accumulated depreciation	(2,773)	(547)	(84)	(3,404)
Net carrying amount	1,464	508	181	2,153
At 1 January 2023, net of accumulated depreciation	1,464	508	181	2,153
Additions	712	89	–	801
Disposals	–	(7)	–	(7)
Depreciation provided during the year	(354)	(127)	(56)	(537)
At 31 December 2023, net of accumulated depreciation	1,822	463	125	2,410

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Machinery and equipment *RMB'000*	Furniture, fittings and equipment *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At 31 December 2023 and 1 January 2024:				
Cost	4,949	1,137	265	6,351
Accumulated depreciation	(3,127)	(674)	(140)	(3,941)
Net carrying amount	1,822	463	125	2,410
At 1 January 2024, net of accumulated depreciation	**1,822**	**463**	**125**	**2,410**
Additions	**27**	**81**	**4,177**	**4,285**
Disposals	**(379)**	**(37)**	**–**	**(416)**
Depreciation provided during the year	**(583)**	**(137)**	**(289)**	**(1,009)**
At 31 December 2024, net of accumulated depreciation	**887**	**370**	**4,013**	**5,270**
At 31 December 2024:				
Cost	**3,570**	**958**	**4,442**	**8,970**
Accumulated depreciation	**(2,683)**	**(588)**	**(429)**	**(3,700)**
Net carrying amount	**887**	**370**	**4,013**	**5,270**

As at 31 December 2024 and 2023, there were no pledged property, plant and equipment.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and equipment used in its operations. Leases of properties generally have lease terms of two to five years and leases of equipment generally have lease terms of three years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Property, office premises and plant *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
As at 1 January 2023	818	1,835	2,653
Additions	12,512	–	12,512
Depreciation charge	(749)	(543)	(1,292)
Termination of leases	–	(1,292)	(1,292)
Exchange realignment	(10)	–	(10)
As at 31 December 2023 and 1 January 2024	**12,571**	**–**	**12,571**
Additions	**11,544**	**–**	**11,544**
Depreciation charge	**(4,887)**	**–**	**(4,887)**
Termination of leases	**(611)**	**–**	**(611)**
Exchange realignment	**4**	**–**	**4**
As at 31 December 2024	**18,621**	**–**	**18,621**

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	12,932	2,624
New leases	11,544	12,512
Accretion of interest recognised during the year	837	138
Lease payment	(3,693)	(1,121)
Reductions as a result of termination of leases	(619)	(1,211)
Exchange realignment	15	(10)
Carrying amount at 31 December	21,016	12,932
Analysed into:		
Within 1 year	5,485	2,468
After 1 year but within 2 years	4,859	2,701
After 2 years but within 3 years	5,184	2,558
More than 3 years	5,488	5,205
	21,016	12,932

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	837	138
Depreciation charge of right-of-use assets	4,887	1,292
Expenses relating to short-term and low-value leases*	1,141	1,924
Total amount recognised in profit or loss	6,865	3,354

* Included in "Administrative expenses" and "Research and development costs" in profit or loss.

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 26(c) and 30(c), respectively.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Prepayments	**11,771**	26,065
Input value-added tax	**10,040**	8,958
Deposits	**178**	675
Other receivables	**295**	7,050
Total	**22,284**	42,748

Prepayments mainly represent contractual advances to Outsourced Service Providers for progress of research and development activities.

Deposits and other receivables mainly represent payment on behalf of employees and deposits with suppliers. Other receivables had no historical default.

16. FINANCIAL ASSETS AT FVTPL

	2024 *RMB'000*	2023 *RMB'000*
Listed equity investments, at fair value	**140,854**	127,489
Treasury bills and money market funds	**38,918**	–
	179,772	127,489

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading. The above equity investments were purchased though two structured entities, Apollo Multi-Asset Growth Fund and Chaince Capital Fund LP (together the "**Funds**"), that the Group invested with initial capital contribution of USD12,500,000 and USD12,500,000 respectively. The Funds were acquired during the year ended 31 December 2023. The Group consolidated the Funds considering it holds 100% equity interests in them.

17. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2024 *RMB'000*	2023 *RMB'000*
Cash and cash equivalents represents cash and bank balances denominated in:		
RMB	**88,416**	54,047
USD	**220,090**	329,970
AUD	**79**	64
HK$	**2,165**	224,131
Cash and bank balances	**310,750**	608,212

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. As at 31 December 2024, all (2023: all) the short term time deposits mature within three months. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) Long-term bank deposit

	2024 *RMB'000*	2023 *RMB'000*
Long-term bank deposit	**21,089**	–

As at 31 December 2024, this long-term bank deposit with original maturity over twelve months, redeemable on maturity, and with the fixed interest rate at 3.3% per annum.

18. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2024 **RMB'000**	2023 RMB'000
Within one year	**51,473**	30,507

The trade payables are non-interest-bearing and are normally settled within one month after the receipt of the invoice.

19. OTHER PAYABLES AND ACCRUALS

	2024 **RMB'000**	2023 RMB'000
Payroll payables	**2,344**	9,917
Other tax payables	**298**	384
Professional service fees payable	**2,994**	30,765
Government grants repayable	**–**	1,400
Others	**418**	870
Total	**6,054**	43,336

20. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%) per annum	**Maturity**	**RMB'000**
As at 31 December 2024			
Bank loans – unsecured, repayable within one year or on demand*	**3.20% – 3.7%**	**2025**	**46,934**
Bank loans – unsecured, repayable over one year but within two years	**3.50%**	**2026**	**9,955**
			56,889
As at 31 December 2023			
Bank loans – unsecured, repayable within one year or on demand	3.65% – 3.80%	2024	3,500

* As at 31 December 2024, included in the balance is an unsecured bank loan of RMB4,400,000 which is guaranteed by Shenzhen Hi-Tech Investment & Financing Guarantee Company, an independent third party.

All bank loans are denominated in RMB.

21. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
As at 1 January	**1,987**	5,119
Grants repayable	**–**	(326)
Amortisation	**(1,656)**	(2,806)
As at 31 December	**331**	1,987

The Group's deferred government grants represented government grants received for projects and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, for which they are intended to compensate, are expensed.

For the current year, an amount of RMB1,656,000 (2023: RMB2,806,000) was released from deferred income to the consolidated profit or loss. The remaining balance of deferred government grants as at 31 December 2024 is RMB331,000 (2023: RMB1,987,000), which will be recognised in future periods over the remaining useful lives of the related assets.

22. SHARE CAPITAL

The Company was incorporated on 28 February 2018. In December 2023, the Company increased its authorised share capital from USD50,000.00 divided into 500,000,000 shares with a par value of USD0.0001 each to USD100,000.00 divided into 1,000,000,000 shares with a par value of USD0.0001 each. The Company has re-designated and re-classified all the issued and unissued Preferred Shares as ordinary shares on a 1:1 basis, ranking *pari passu* in all respects with the ordinary shares of the Company having the rights and restrictions, with effect immediately prior to the global offering, such that the authorised share capital of the Company will be USD100,000 divided into 1,000,000,000 ordinary shares of par value of USD0.0001 each, with effect from the Listing Date.

	Number of shares in issue	Share capital USD'000	RMB equivalent RMB'000
At 31 December 2024			
Issued and fully paid:			
Ordinary shares of USD0.0001 each	**514,770,668**	**51**	**364**
At 31 December 2023			
Issued and fully paid:			
Ordinary shares of USD0.0001 each	514,770,668	51	364

22. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of share in issue	Share capital *RMB'000*
At 1 January 2023 (note i)	51,320,166	36
Issue of ordinary shares under 2023 ESOP Scheme (note 25)	4,000,000	3
Shares issued pursuant to capitalisation Issue (note ii)	420,813,890	298
New issue of ordinary shares upon listing of shares on the Stock Exchange (note iii)	24,194,000	17
Conversion of Preferred Shares to ordinary shares upon listing of shares on the Stock Exchange (note iv)	28,842,612	20
Repurchase of shares from the 2023 ESOP Platform (note 25)	(14,400,000)	(10)
At 31 December 2023 and 1 January 2024	**514,770,668**	**364**
At 31 December 2024	**514,770,668**	**364**

(i) On the Listing Date, the following convertible preferred shares are converted to ordinary shares

	Number of shares in issue*	Share capital *USD'000*	RMB equivalent *RMB'000*
At 1 January 2023			
Issued and fully paid of USD0.0001 each:			
Series A	6,300,000	1	7
Series B1	2,760,061	–	–
Series B2	1,910,811	–	–

* Adjusted after the capitalisation issue (Note (ii)) upon the global offering.

According to the original and amended Memorandum and Articles of Association ("**MOA**"), Series A, B1 and B2 Convertible Preferred Shares were entitled with conversion rights and dividend Rights. Upon the issuance of each series of Convertible Preferred Shares, the Group classified the Series A, B1 and B2 Convertible Preferred Shares as equity in accordance with the relevant IFRS mainly because the Company does not have any contractual obligation to deliver cash or another financial asset to the holders of the Series A, B1 and B2 Convertible Preferred Shares or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Company with the holders of the Series A, B1 and B2 Convertible Preferred Shares, nor does the Company have any contractual obligations to deliver a variable number of its own equity instruments for the settlement of the Series A, B1, and B2 Convertible Preferred Shares.

22. SHARE CAPITAL (continued)

(ii) On the Listing Date, the Company allotted and issued a total of 420,813,890 shares credited as fully paid at par to the holders of shares whose names appear on the register of members of the Company at the close of business on the business day preceding the Listing Date in proportion to their then-existing respective shareholdings in the Company (on the basis that each Preferred Share is converted into one ordinary share and no holder of shares shall be entitled to be allotted or issued any fraction of a share) by capitalizing the relevant sum from the share premium account of the Company. The shares allotted and issued pursuant to the capitalization issue rank pari passu in all respects with the then-existing issued shares.

(iii) On the Listing Date, the Company successfully completed its initial public offering of 24,194,000 shares at HK$11.50 per share, and its shares were listed on the Stock Exchange.

(iv) An aggregate of authorized and issued 12,678,554 Series B+ convertible redeemable preferred shares, 12,190,291 Series C convertible redeemable preferred shares and 3,973,767 Series C+ convertible redeemable preferred shares of a par value of USD0.0001 each in the share capital of the Company were converted to 28,842,612 ordinary shares immediately prior to the completion of the Company's listing of shares of the Company on the Stock Exchange.

According to the original and amended Memorandum and Articles of Association ("MOA"), upon the issuance of each series of convertible redeemable preferred shares, the Group designated the Series B+, C and C+ convertible redeemable preferred shares as financial liabilities measured at fair value through profit or loss. The movements of convertible redeemable preferred shares are set out below:

	2024 ***RMB'000***	2023 *RMB'000*
Carrying amount at 1 January	–	1,260,013
Fair value changes	–	522,160
Conversion to ordinary shares upon listing of shares on the Stock Exchange	–	(1,808,279)
Currency translation differences	–	26,106
Carrying amount at 31 December	–	–

Series B+

In September 2020 and April 2021, the Company issued 6,815,286 and 212,314 Series B+ Convertible Redeemable Preferred Shares (the "**Series B+ Convertible Redeemable Preferred Shares**") to certain independent investors at USD4.71 per share for total considerations of USD32,100,000 and USD1,000,000, respectively. The Company received proceeds of USD32,100,000 and USD1,000,000 (approximately RMB217,995,000 and RMB6,545,000) from the issuance of Series B+ Convertible Redeemable Preferred Shares in 2020 and 2021, respectively. In April and May 2021, the holders of the Series B+ Warrants exercised the warrants and subscribed for 5,650,954 shares of Series B+ Convertible Redeemable Preferred Shares of the Company for USD26,616,000. The Company received proceeds of USD26,616,000 (approximately RMB173,328,000) from the issuance of the Series B+ Convertible Preferred Shares in April and May 2021 upon the exercise of the Series B+ Warrants.

22. SHARE CAPITAL (continued)

Series C

In October 2021 and November 2021, the Company issued 7,618,932 and 4,571,359 Series C Convertible Redeemable Preferred Shares (the "**Series C Convertible Redeemable Preferred Shares**") to certain independent investors at USD6.5626 per share for total considerations of USD50,000,000 and USD30,000,000, respectively. The Company received proceeds of USD50,000,000 and USD30,000,000 (approximately RMB319,535,000 and RMB191,772,000) from the issuance of the Series C Convertible Redeemable Preferred Shares in October 2021 and November 2021, respectively.

Series C+

In November 2023 and December 2023, the Company issued 985,972 and 2,987,795 Series C+ Convertible Redeemable Preferred Shares (the "**Series C+ Convertible Redeemable Preferred Shares**") at USD6.6939 per share to certain independent investors for total considerations of USD6,600,000 and USD20,000,000, respectively. The Company received proceeds of RMB45,577,000 and USD20,000,000 (approximately RMB186,419,000 in total) from the issuance of the Series C+ Convertible Redeemable Preferred Shares in November 2023 and December 2023, respectively.

23. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 80 of the financial statements.

24. RELATED PARTY TRANSACTIONS

The Group had no transactions with related parties during the year. The Group had no outstanding balances with related parties.

Compensation of key management personnel of the Group:

	2024 ***RMB'000***	2023 *RMB'000*
Short term employee benefits	**14,202**	16,058
Equity-settled share option arrangements	**81,623**	74,424
Compensation payment	**47**	–
Total compensation paid to key management personnel	**95,872**	90,482

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors and the chief executive of the Company. Further details of directors' and the chief executive's emoluments are included in note 8.

25. SHARE-BASED PAYMENTS

In January 2020, the Company adopted an employee long-term incentive plan (the "**2020 Share Incentive Plan**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the employee long-term incentive plan may include any officers, directors and employees of the Company who render or have rendered bona fide services to the Company. The maximum aggregate number of shares that may be issued is 4,662,462 (27,974,772 as adjusted after the Capitalisation Issue) shares.

In March 2022, the Company amended and restated the employee long-term incentive plan to attract and retain the best available personnel and to provide additional incentives to employees and directors to promote the success of the Company's business. The maximum aggregate number of shares underlying all awards made under the 2020 Share Incentive Plan shall not exceed 8,849,294 (53,095,764 as adjusted after the Capitalisation Issue) shares.

In May 2023, the Company adopted a new employee long-term incentive plan (the "**2023 ESOP Scheme**") to attract, retain and award the eligible adopted talents with 4,000,000 (24,000,000 as adjusted after the Capitalisation Issue) ordinary shares of the Company issuable under such plan.

Under the 2020 Share Incentive Plan and the 2023 ESOP Scheme, the awards shall be vested in four (4) years and the awards shall be vested in equal yearly instalments of 25% at each anniversary date commencing from the vesting commencement date. Additionally, subject to any restriction contained in the 2020 Share Incentive Plan and 2023 ESOP Scheme, certain awards shall not be vested if the IPO hasn't occurred on or prior to the applicable vesting date of the individual awards, and the vesting of such corresponding part of individual awards shall be deferred to and effected on the date of IPO (or the immediately following trading day if such date is not a trading day). The share awards period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options.

25. SHARE-BASED PAYMENTS (continued)

The following share awards were outstanding under the equity share option plan during the year:

	Total awards	Exercise price per share *USD*	Fair value per share *USD*
At 1 January 2023	22,347,726	0.14-0.29	1.35-3.77
Granted during the year	57,324,450	0.33-0.47	2.39-5.95
Forfeited during the year	(2,576,412)	0.14-0.47	1.36-4.26
Repurchase of shares from the 2023 ESOP Platform* (note 22)	(14,400,000)	0.33	2.39
At 31 December 2023 and 1 January 2024	**62,695,764**	**0.14-0.47**	**1.35-5.95**
Forfeited during the year	**(8,374,698)**	**0.14-0.33**	**1.35-5.95**
Exercised during the year	**(85,000)**	**0.14**	**1.36**
At 31 December 2024	**54,236,066**	**0.14-0.47**	**1.35-5.95**
Exercisable:			
At 31 December 2023	11,510,301	0.14-0.29	1.35-3.77
At 31 December 2024	**23,946,560**	**0.14-0.47**	**1.35-5.95**

* Pursuant to the terms of the 2023 Share Incentive Plan, to the extent the final offer size of the global offering fell below the defined threshold, 2,400,000 (14,400,000 as adjusted after the Capitalisation Issue) shares held by Wisdom Summer Group Limited (the "2023 ESOP Platform") shall be repurchased and cancelled before the global offering.

The fair value of the share awards granted during the year ended 31 December 2023 was RMB259,712,000 and there is no new share award granted during the year ended 31 December 2024. The Group recognised equity-settled share option expenses in the consolidated profit or loss over the vesting period and an amount of RMB96,932,000 was recognised during the year (2023: RMB93,493,000).

The weighted average stock price at the date of exercise for stock options exercised during the year was RMB27.56 per share (2023: RMB27.18).

The weighted average remaining contractual lives for share options outstanding at the end of year was 7.27 years (2023: 7.75 years).

25. SHARE-BASED PAYMENTS (continued)

The fair value of the equity-settled share awards was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the awards were granted. The following table lists the inputs to the model used:

	On 1 April 2023	On 1 September 2023
Expected volatility (%)	53.1	53.1
Dividend yields (%)	–	–
Risk-free interest rate (%)	3.6	4.3
Exercise multiple	2.2-2.8	2.2-2.8
Weighted average share price (USD per share)	4.63	3.27
Exercise price (USD per share)	1.97-2.82	1.97

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB11,544,000 (2023: approximately RMB12,512,000), respectively, in respect of lease arrangements for plant (2023: plant and equipment).

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	Bank and other loans *RMB'000*	Total *RMB'000*
At 1 January 2024	12,932	3,500	16,432
Changes from financing cash flows:			
Lease payment	(2,856)	–	(2,856)
Proceeds from bank loans	–	61,831	61,831
Repayments of bank and other loans	–	(8,442)	(8,442)
Payment of interest	(837)	(697)	(1,534)
Total changes from financing cash flows	(3,693)	52,692	48,999
Other changes:			
New leases	11,544	–	11,544
Accretion of interest	837	697	1,534
Termination of leases	(619)	–	(619)
Currency translation differences	15	–	15
Total other changes	11,777	697	12,474
At 31 December 2024	21,016	56,889	77,905

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*	Bank and other loans *RMB'000*	Total *RMB'000*
At 1 January 2023	2,624	1,260,013	8,150	1,270,787
Changes from financing cash flows:				
Lease payment	(983)	–	–	(983)
Proceeds from bank loans	–	–	5,000	5,000
Repayments of bank and other loans	–	–	(9,650)	(9,650)
Payment of interest	(138)	–	(262)	(400)
Total changes from financing cash flows	(1,121)	–	(4,912)	(6,033)
Other changes:				
New leases	12,512	–	–	12,512
Accretion of interest	138	–	262	400
Fair value changes	–	522,160	–	522,160
Reductions as a result of termination of leases	(1,211)	–	–	(1,211)
Currency translation differences	(10)	26,106	–	26,096
Conversion of convertible redeemable preferred shares to ordinary shares upon global offering	–	(1,808,279)	–	(1,808,279)
Total other changes	11,429	(1,260,013)	262	(1,248,322)
At 31 December 2023	12,932	–	3,500	16,432

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Within operating activities	**1,141**	1,924
Within financing activities	**3,693**	1,121
Total	**4,834**	3,045

27. COMMITMENTS

(a) The Group had the following contractual commitments at the end of the reporting period:

	2024 *RMB'000*	2023 *RMB'000*
Leasehold improvements	–	2,645
	–	2,645

(b) The Group has a lease contract that has not yet commenced as at 31 December 2023. The future lease payments for this non-cancellable lease contract are approximately RMB1,565,000 due within one year and approximately RMB11,710,000 due in the second to fifth years. And there is no lease contract that has not yet commenced as at 31 December 2024.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2024

	Financial assets at fair value through profit or loss *RMB'000*	Financial assets measured at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	179,772	–	179,772
Financial assets included in prepayments, other receivables and other assets	–	473	473
Financial assets included in other non-current assets	–	1,580	1,580
Long-term bank deposit	–	21,089	21,089
Cash and cash equivalents	–	310,750	310,750
Total	179,772	333,892	513,664

	Financial liabilities at amortised cost *RMB'000*
Trade payables	51,473
Interest-bearing bank borrowings	56,889
Financial liabilities included in other payables and accruals	3,412
Total	111,774

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2023

	Financial assets at fair value through profit or loss *RMB'000*	Financial assets measured at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	127,489	–	127,489
Financial assets included in prepayments, other receivables and other assets	–	8,029	8,029
Financial assets included in other non-current assets	–	1,302	1,302
Cash and cash equivalents	–	608,212	608,212
Total	127,489	617,543	745,032

	Financial liabilities at amortised cost *RMB'000*
Trade payables	30,507
Interest-bearing bank borrowings	3,500
Financial liabilities included in other payables and accruals	33,035
Total	67,042

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, long-term bank deposit and financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets, cash and bank balances, trade payables, interest-bearing bank borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

The Group has investments in listed equities not quoted in an active markets which fair values are determined on recent transaction valuations. The Group classifies the fair values of these investments as Level 2.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2024				
Financial assets at FVTPL	**53,022**	**126,750**	**–**	**179,772**
As at 31 December 2023				
Financial assets at FVTPL	–	127,489	–	127,489

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and long-term bank deposit. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from financing by the Company or purchases by operating units in currencies other than their functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rate, with all other variables held constant, of the Group's loss before income tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	(Decrease)/ increase in loss before income tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2024			
If RMB weakens against USD	**5**	**(4,609)**	**4,343**
If RMB strengthens against USD	**(5)**	**4,609**	**(4,343)**
2023			
If RMB weakens against USD	5	(34)	580
If RMB strengthens against USD	(5)	34	(580)

(b) Credit risk

Credit risk is the risk that a counterparty will default on contractual obligations resulting in financial loss to the Group.

The credit risk of the Group's financial assets, which primarily comprise cash and cash equivalents, long-term bank deposit and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, cash and cash equivalents and long-term bank deposit were deposited in reputable financial institutions without significant credit risk. For financial assets included in prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of such assets based on historical settlement records and past experience.

None of the financial assets included in prepayments, other receivables and other assets at the end of the reporting period were overdue, and all balances were categorised within Stage 1 for the measurement of expected credit losses. The Directors believe that there is no material credit risk inherent in the Group's outstanding balances.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	More than 3 years RMB'000	Total RMB'000
As at 31 December 2024					
Trade payables	**51,473**	**–**	**–**	**–**	**51,473**
Lease liabilities	**5,391**	**5,398**	**5,514**	**5,454**	**21,757**
Financial liabilities included in other payables and accruals	**3,412**	**–**	**–**	**–**	**3,412**
Interest-bearing bank borrowings	**48,286**	**10,043**	**–**	**–**	**58,329**
Total	**108,562**	**15,441**	**5,514**	**5,454**	**134,971**
As at 31 December 2023					
Trade payables	30,507	–	–	–	30,507
Lease liabilities	2,962	3,078	2,823	5,406	14,269
Financial liabilities included in other payables and accruals	33,035	–	–	–	33,035
Interest-bearing bank borrowings	3,523	–	–	–	3,523
Total	70,027	3,078	2,823	5,406	81,334

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

31. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that require additional disclosure or adjustments.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 *RMB'000*	2023 *RMB'000*
NON-CURRENT ASSETS		
Interests in subsidiaries	966,589	669,083
Total non-current assets	966,589	669,083
CURRENT ASSETS		
Prepayments and other receivables	574,877	517,740
Cash and bank balances	107,531	490,941
Total current assets	682,408	1,008,681
CURRENT LIABILITIES		
Other payables and accruals	2,396	28,491
Total current liabilities	2,396	28,491
NET CURRENT ASSETS	680,012	980,190
TOTAL ASSETS LESS CURRENT LIABILITIES	1,646,601	1,649,273
Net assets	1,646,601	1,649,273
EQUITY		
Share capital	364	364
Reserves (note)	1,646,237	1,648,909
Total equity	1,646,601	1,649,273

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2023	283,332	33,033	(21,060)	(173,646)	121,659
Loss for the year	–	–	–	(587,062)	(587,062)
Other comprehensive loss for the year	–	–	(11,411)	–	(11,411)
Equity-settled share options	–	93,493	–	–	93,493
New issue of ordinary shares upon global offering	252,878	–	–	–	252,878
Share issue expenses	(28,619)	–	–	–	(28,619)
Repurchase of shares from the 2024 ESOP Platform	10	–	–	–	10
Shares issued pursuant to Capitalisation Issue (note 22)	(298)	–	–	–	(298)
Conversion of convertible redeemable preferred shares to ordinary shares upon global offering	1,808,259	–	–	–	1,808,259
At 31 December 2023 and 1 January 2024	**2,315,562**	**126,526**	**(32,471)**	**(760,708)**	**1,648,909**
Loss for the year	**–**	**–**	**–**	**(17,359)**	**(17,359)**
Other comprehensive income for the year	**–**	**–**	**10,780**	**–**	**10,780**
Equity-settled share options	**–**	**3,907**	**–**	**–**	**3,907**
At 31 December 2024	**2,315,562**	**130,433**	**(21,691)**	**(778,067)**	**1,646,237**

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"2020 ESOP Platform"	Wisdom Spring Group Limited
"2020 Share Incentive Plan"	the employee long term incentive plan originally adopted by our Company on January 22, 2020, amended and restated on October 18, 2021 and further amended and restated in its entirety on March 4, 2022
"2023 ESOP Platform"	Wisdom Summer Group Limited
"2023 Share Incentive Plan"	the employee long term incentive plan adopted by our Company on May 24, 2023
"AH"	alcoholic hepatitis, a type of alcohol-associated liver disease characterized by acute liver inflammation
"AIC Group"	refers to Dr. Liu, the Founder BVI, Greaty Investment, ZT Global Energy and Orient Champion
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on December 11, 2023, and with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Australia HighTide"	HIGHTIDE BIOPHARMA PTY. LTD., a proprietary company limited by shares registered in Australia on July 15, 2015, and a subsidiary of our Company
"biomarker"	a measurable indicator of a biological state or condition
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules
"Chairwoman"	the chairwoman of the Board
"China", "Mainland China" or "PRC"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan

"cholestatic liver disease"	a disease characterized by a decrease or blockage in the flow of bile, including primary sclerosing cholangitis and primary biliary cholangitis
"clinical trial/study"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"CMC"	chemistry, manufacturing, and controls
"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	HighTide Therapeutics, Inc., a company incorporated under the laws of the Cayman Islands with limited liability on February 28, 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Product refers to HTD1801
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CVDs"	cardiovascular diseases, conditions affecting the heart or blood vessels
"diabetes"	a complex, chronic metabolic disease characterized by elevated levels of blood glucose, which leads over time to serious damage to the heart, blood vessels, eyes, kidneys, nerves and other organs, comprised of two categories including type 1 diabetes mellitus and type 2 diabetes mellitus
"digestive diseases"	health conditions associated with the digestive system
"Director(s)" or "our Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive Directors

"Dr. Liu"	Dr. LIU Liping (劉利平), the founder, executive Director and chief executive officer of our Company
"ESG"	environmental, social and governance; a collection of corporate performance evaluation criteria that assess the robustness of a company's governance mechanisms and its ability to effectively manage its environmental and social impacts
"Family Trust"	The ABLE XL FAMILY TRUST 2020, an irrevocable discretionary trust settled by Dr. Liu as the settlor pursuant to a trust deed dated December 31, 2020 under the laws of the State of Delaware for her succession planning, and pursuant to the aforesaid trust deed, the beneficiary is any one or more of Dr. Liu's children and more remote issue
"FDA"	the United States Food and Drug Administration
"Founder BVI"	GREAT MANTRA GROUP LIMITED, a limited company incorporated in the BVI on November 24, 2017, one of the members of the AIC Group and wholly-owned by the Family Trust
"FTD"	fast track designation, a designation granted by the FDA of a drug for expedited review to facilitate the development of drugs which treat serious or life-threatening condition or fill an unmet medical need
"Global Offering"	the offer for subscription of an aggregate of 24,194,000 Shares at offer price of HK$11.50 under the Hong Kong public offering and the international offering of the Company
"Group" or "our Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hepalink"	Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (深圳市海普瑞藥業集團股份有限公司), a joint stock limited company incorporated under the laws of the PRC, whose A shares are listed on the Shenzhen Stock Exchange (stock code: 002399) and H Shares are listed on the Stock Exchange (stock code: 9989)
"HK HighTide"	HighTide Therapeutics (Hong Kong) Limited, a limited company incorporated in Hong Kong on April 9, 2018, a wholly-owned subsidiary of our Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IBD"	inflammatory bowel disease, a group of inflammatory conditions of the colon and small intestine, comprised of two major categories including Crohn's disease (a type of inflammatory bowel disease which can affect any part of the gastrointestinal tract) and ulcerative colitis
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	December 22, 2023, the date on which dealings in the Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MASH"	metabolic dysfunction-associated steatohepatitis (formerly known as nonalcoholic steatohepatitis or NASH), an advanced form of MASLD
"MASLD"	metabolic dysfunction-associated steatotic liver disease (formerly known as nonalcoholic fatty liver disease or NAFLD), characterized by the excessive fat accumulation in the liver. At EASL Congress 2023, the multinational liver societies leaders from La Asociación Latinoamericana para el Estudio del Hígado (ALEH), American Association for the Study of Liver Diseases (AASLD), and European Association for the Study of the Liver (EASL) as well as the co-chairs of the MASLD Nomenclature Initiative announced that steatotic liver disease (SLD) was chosen as an overarching term to encompass the various aetiologies of steatosis
"mechanism of action"	the specific biochemical interaction through which a drug substance produces its pharmacological effect
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted on December 11, 2023 with effect from the Listing Date, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules

"MRI-PDFF"	magnetic resonance imaging-derived proton density fat fraction, a noninvasive, quantitative, and accurate measure of liver fat content
"Nanchang Fusion"	Nanchang Fusion Therapeutics, Ltd. (南昌福藥生物技術有限公司), a limited liability company established in the PRC on November 29, 2021, a wholly-owned subsidiary of our Company
"NDA"	new drug application, a process required by an regulatory authority to approve a new drug for sale and marketing
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) from 2013 to 2018 and the State Food and Drug Administration (國家食品藥品監督管理局) from 2003 to 2013
"Nomination Committee"	the nomination committee of the Board
"obesity"	abnormal or excessive fat accumulation in the body; defined as an individual having a body mass index over 30 kg/m2 or more
"ODD"	orphan drug designation, a designation granted by the FDA to a drug or biological product which prevents, diagnoses or treats a rare disease or condition, qualifying the sponsors for certain incentives
"off-label"	related to the use of pharmaceutical drugs for an unapproved indication or in an unapproved age group, dosage or route of administration
"Phase I clinical trial"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its efficacy
"Phase II clinical trial"	a study in which a drug is administered to a limited patient population to preliminarily evaluate the efficacy of the product for specific targeted diseases, to identify possible adverse effects and safety risks, and to determine optimal dosage
"placebo"	a medical treatment or preparation with no specific pharmacological activity
"primary endpoint"	the specific key measurement upon which a clinical study is designed to assess the effect of the drugs being investigated

"Prospectus"	the prospectus of the Company dated December 14, 2023
"PSC"	primary sclerosing cholangitis, a life-threatening, multifactorial and rare liver disease characterized by hepatic inflammation, scarring and abnormal liver damage
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"RMB"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Fusion"	Shanghai Fusion Therapeutics, Ltd. (上海福藥生物技術有限公司), a limited liability company established in the PRC on May 20, 2021, a wholly-owned subsidiary of our Company
"Shanghai HighTide"	Shanghai HighTide Biopharmaceutical Ltd. (上海君聖泰生物技術有限公司), a limited liability company established in the PRC on March 14, 2014 and deregistered on June 27, 2024, a wholly-owned subsidiary of our Company
"Share(s)" or "Ordinary Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen HighTide"	Shenzhen HighTide Biopharmaceutical Ltd. (深圳君聖泰生物技術有限公司), a limited liability company established in the PRC on November 15, 2011, a wholly-owned subsidiary of our Company
"SHTG"	severe hypertriglyceridemia, SHTG is the presence of high levels of triglycerides, a type of fat, in the blood. SHTG is well known to be associated with other complex and serious disorders such as acute pancreatitis and CVDs
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it in Section 15 of the Companies Ordinance

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"T2DM"	type 2 diabetes mellitus, a form of diabetes characterized by high blood sugar, insulin resistance and relative lack of insulin
"TG"	triglycerides, the main constituents of body fat in humans
"U.S. HighTide"	HighTide Therapeutics USA, LLC (formerly known as HighTide Biopharma USA, LLC), a stock corporation incorporated in the State of Maryland, United States on January 24, 2018, and a wholly-owned subsidiary of our Company
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"we", "us" or "our"	the Company or the Group, as the context requires

FOUR-YEAR FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS FOR THE LAST FOUR YEARS ENDED DECEMBER 31, 2024

	For the Year ended December 31/As at December 31			
	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING RESULTS				
Other income	**67,971**	34,214	20,581	13,821
Fair value (losses)/gains on convertible redeemable preferred shares	**–**	(522,160)	23,242	(93,656)
Other gains and losses, – net	**(3,202)**	(2,647)	(7,518)	(1)
Research and development costs	**(363,525)**	(311,567)	(182,651)	(84,012)
Administrative expenses	**(81,229)**	(136,670)	(43,433)	(48,064)
Finance costs	**(1,534)**	(400)	(426)	(4,528)
Loss before tax	**(381,519)**	(939,230)	(190,205)	(221,049)
Other comprehensive loss for the year, net of tax	**6,250**	(13,442)	(33,651)	3,735
Total comprehensive loss for the year	**(375,538)**	(952,748)	(223,888)	(217,410)
FINANCIAL POSITION				
Non-current assets	**46,560**	16,283	4,806	3,450
Current assets	**513,371**	778,753	851,018	775,182
Total assets	**559,931**	795,036	855,824	778,632
Liabilities				
Non-current liabilities	**25,817**	12,451	6,632	1,022,360
Current liabilities	**109,946**	79,811	1,319,720	28,534
Total liabilities	**135,763**	92,262	1,326,352	1,050,894
Net assets/(liabilities)	**424,168**	702,774	(470,528)	(272,262)