SUNHO
BIOPHARMACEUTICAL (CHINA) CO. LTD

Sunho Biologics, Inc.

盛禾生物控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2898

2024 ANNUAL REPORT

CONTENTS

Corporate Information

Company Name

Sunho Biologics, Inc. (盛禾生物控股有限公司)

Directors

Executive Directors

Mr. ZHANG Feng (張峰)
(Chairman)
Dr. YIN Liusong (殷劉松)
(Chief executive officer and chief scientific officer)
Ms. JIANG Xiaoling (姜曉玲)
(Vice president)

Non-executive Director

Mr. FAN Rongkui (范融奎)

Independent Non-executive Directors

Mr. CHAN Heung Wing Anthony (陳向榮)
Ms. FENG Lan (馮嵐)
Mr. SHI Luwen (史錄文)

Audit Committee

Mr. CHAN Heung Wing Anthony (陳向榮)
(Chairman)
Ms. FENG Lan (馮嵐)
Mr. SHI Luwen (史錄文)

Remuneration Committee

Ms. FENG Lan (馮嵐)
(Chairlady)
Mr. ZHANG Feng (張峰)
Mr. SHI Luwen (史錄文)

Nomination Committee

Mr. ZHANG Feng (張峰)
(Chairman)
Ms. FENG Lan (馮嵐)
Mr. SHI Luwen (史錄文)

Joint Company Secretaries

Ms. XU Chunqin (徐春芹)
Ms. WONG Hoi Ting (黃凱婷)

Authorised Representatives

Mr. ZHANG Feng (張峰)
Ms. WONG Hoi Ting (黃凱婷)

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisers

As to Hong Kong laws
Eric Chow & Co.
in Association with Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road
Central
Hong Kong

Registered Office in Cayman Islands

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarters

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No. 198 Peninsula Middle Road, Dipu Street
Anji County, Huzhou City
Zhejiang Province
PRC

No. 5 Xingjian Road
Nanjing Economic and Technological
Development Zone
PRC

Corporate Information

Principal Place of Business in the PRC

No. 5 Xingjian Road
Nanjing Economic and Technological
Development Zone
PRC

Principal Place of Business in Hong Kong

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Principal Bankers

Bank of Communications Co., Ltd.,
Nanjing Xingang Development Zone Branch
No. 10 Xingzhi Road
Qixia District, Nanjing City
Jiangsu Province
PRC

China Merchants Bank Co., Ltd.,
Zhujiang Road Sub-branch
No. 280 Zhujiang Road
Xuanwu District, Nanjing City
Jiangsu Province
PRC

Stock Code

2898

Company Website

www.sunho-bio.com.cn

Financial and Operational Data Highlights

The following table summarizes our results of operations for the year ended December 31, 2024 and 2023:

	For the year ended December 31,		
	2024 RMB'000 (audited)	2023 RMB'000 (audited)	2022 RMB'000 (audited)
Other income	**9,485**	21,005	13,795
Other expenses	**–**	(70)	(1,258)
Other gains and losses, net	**38,704**	(49,615)	97
R&D expenses	**(71,117)**	(43,041)	(53,171)
Administrative expenses	**(30,276)**	(40,701)	(5,558)
Listing expenses	**(25,842)**	(19,587)	(819)
Finance costs	**(919)**	(692)	(5,074)
Loss before tax	**(79,965)**	(132,701)	(51,988)
Income tax expense	**–**	–	–
Loss and total comprehensive expense for the year	**(79,965)**	(132,701)	(51,988)
Loss per share – Basic and diluted (RMB)	**(0.62)**	(1.43)	(0.57)

	As at December 31,		
	2024 RMB'000 (audited)	2023 RMB'000 (audited)	2022 RMB'000 (audited)
Non-current assets	**67,737**	63,309	56,229
Current assets	**492,998**	227,141	14,632
Current liabilities	**44,146**	387,663	66,154
Net current assets/(liabilities)	**448,852**	(160,522)	(51,522)
Total assets less current liabilities	**516,589**	(97,213)	4,707
Non-current liabilities	**4,651**	6,896	6,206
Net assets/(liabilities)	**511,938**	(104,109)	(1,499)

Corporate Profile

Overview

Founded in 2018, we are a clinical stage biopharmaceutical company that focuses on the discovery, development and commercialization of biologics for the treatment of cancers and autoimmune diseases. We have three Core Products, namely, IAH0968, IAP0971 and IAE0972, all of which are developed in-house. IAH0968 is an antibody-dependent cell-mediated cytotoxicity ("**ADCC**") enhanced monoclonal antibody ("**mAb**"), and we have initiated Phase II clinical trials for biliary tract carcinoma ("**BTC**"), colorectal cancer ("**CRC**") and gastric cancer ("**GC**"). IAP0971 and IAE0972 are both immunocytokines and we have completed Phase I clinical trials for advanced solid tumors including non-small cell lung cancer ("**NSCLC**") and CRC.

As of December 31, 2024, we had nine pipeline products, in addition to our Core Products, three of which were in the clinical stage, also focusing on the treatment of cancer.

The Shares of the Company were listed on the Stock Exchange on May 24, 2024. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from our Company's global offering of approximately HK$391.6 million.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Company for the financial year ended December 31, 2024.

We are a biopharmaceutical company committed to the discovery, development and commercialization of innovative biologics that regulate immune microenvironment by modulating both the innate and adaptive immune systems. Drawing upon our expertise in immunology, we have developed various types of immunotherapies including immunocytokines to treat cancers and autoimmune diseases, bispecific antibodies and bifunctional antibody fusion proteins. We aim to develop innovative immunotherapies that overcome disadvantages of currently available treatments, including low response rates and drug resistance, and to bring perceivable benefits and affordable medicine to patients worldwide.

In 2024, Sunho Biologics made numerous significant progresses and achieved multiple important milestones of the Company. On May 24, 2024, we successfully completed the initial public offerings on the Main Board of the Stock Exchange and listed on the Stock Exchange. Throughout the year, substantial advances were made across our R&D pipeline. We would like to extend our sincere gratitude to our Shareholders for their continuous trust and support to the Company, and are pleased to share with our Shareholders the progress we have made in R&D in 2024, as well as our outlook for the future.

MAJOR ADVANCEMENTS IN CORE PRODUCT RESEARCH AND DEVELOPMENT

Our Core Product IAH0968 is the world's first anti-human epidermal growth factor receptor 2 ("**HER2**") antibody in clinical stage with 100% fucose-removal developed by the Company based on our internally developed ADCC Enhanced Antibody Platform ("**AEA™ Platform**"). In 2024, we launched the Phase IIb/III clinical trials of using IAH0968 in combination with chemotherapy for first-line treatment of HER2+ advanced or metastatic CRC and GC.

Our Core Product IAP0971 is a PD1/IL-15 bifunctional antibody cytokine developed by the Company based on our internally developed Armed ImmunoCytokine Platform ("**AIC™ Platform**"). IAP0971 can activate CD8 T cells and natural killer ("**NK**") cells in the tumor microenvironment, synergistically enhancing antitumor activity. In 2024, we launched the Phase I/II clinical trials of IAP0971 for the treatment of BCG unresponsive high risk non-muscle invasive bladder cancer ("**NMIBC**").

Our Core Product IAE0972 is also an EGFR/IL-10 bifunctional antibody cytokine developed by the Company based on our internally developed Armed ImmunoCytokine Platform ("**AIC™ Platform**"), achieving synergistic antitumor activity. In 2024, we obtained the IND approval from the National Medical Products Administration ("**NMPA**") to conduct Phase II/III clinical trials of IAE0972 in combination with chemotherapy for the treatment of recurrent or metastatic head and neck squamous cell carcinoma ("**HNSCC**") and nasopharyngeal carcinoma ("**NPC**").

Chairman's Statement

Future Outlook

We plan to implement the following strategies to achieve our goals and vision:

- Focus on the development of immunocytokines to enhance our position in this drug development field;
- Continue advancing selected pipeline products with great clinical value and commercial potential;
- Expand our GMP-compliant manufacturing facility to enhance our production capabilities;
- Actively seek international collaboration opportunities to maximize value of our assets and increase brand awareness on a global scale;
- Continue to focus on selecting and retaining top talents to fuel our innovation.

The year 2024 marks a milestone in the Company's development. Looking ahead, the year 2025 will be a pivotal year for the Company, as we embark on a new era of global innovation and growth. We will continue to unlock upward potential and make steady progress toward our vision of becoming a world-class biopharmaceutical innovation enterprise.

I hereby would like to express my highest respect to all employees and extend sincere gratitude to our Shareholders and stakeholders for their continued trust and support on behalf of the Board of Directors.

Mr. ZHANG Feng
Chairman of the Board and executive Director

Management Discussion and Analysis

Business Review

Founded in 2018, we are a clinical stage biopharmaceutical company that focuses on the discovery, development and commercialization of biologics for the treatment of cancers and autoimmune diseases. We have three Core Products, namely, IAH0968, IAP0971 and IAE0972, all of which are developed in-house. IAH0968 is an ADCC enhanced mAb, and we have initiated Phase II clinical trials for BTC, CRC and GC. IAP0971 and IAE0972 are both immunocytokines and we have completed Phase I clinical trials for advanced solid tumors including NSCLC and CRC.

R&D of product candidates

Our R&D capabilities cover development of candidates in the forms of mAbs, bispecific antibodies ("**bsAbs**"), and fusion proteins, some of which extend indications into treatment areas beyond oncology. Our Core Product IAH0968 is an ADCC enhanced mAb targeting HER2 with 100% fucose knock out, which greatly enhances the binding affinity of its fragment crystallizable ("**Fc**") to its receptor FcγRIIIa. ADCC is an immune mechanism through which Fc receptor-bearing effector cells including natural killer ("**NK**") cells and CD+8 T cells can recognize and kill antibody-coated target cells expressing tumor- or pathogen-derived antigens on their surface. It is one of the most important methods for antibody drugs to kill tumor cells. The typical ADCC involves activation of NK cells by antibodies in a multi-tiered progression of immune control. A NK cell expresses Fcγ receptors ("**FcγR**"). These receptors recognize and bind to the Fc domain of an antibody, and the antigen binding fragment ("**Fab**") domain of which binds to the tumor associated antigen ("**TAA**") on the tumor cell. When both TAA and FcγR are engaged respectively by the Fab and Fc portions of the antibody, ADCC is initiated, since this creates a bridge from the tumor cell to the effector cell. However, the natural affinity between antibodies and FcγR is relatively weak, and Fc engineering to enhance affinity has become a common method.

Our featured products, immunocytokines, are designed through our proprietary and internally developed AIC™ Platform by our core R&D team in researching antibody-cytokine fusion proteins. They function through diverse mechanisms of action yet share a similar structure comprising an antibody or quasi-antibody moiety that targets tumors and blocks signaling pathways regulating tumor growth and proliferation, and cytokine payloads that activate the immune system within the tumor microenvironment ("**TME**"). Such a design is expected to overcome drawbacks of conventional cytokine-based drugs, such as short half-lives, systemic cytotoxicity and modest efficacy due to cytokine pleiotropy and off-target effects. It is expected to achieve enhanced antitumor effects through the synergy between the antibody and cytokine payloads, which potentially address the needs of cancer patients who suffer from disease progression related to the immunosuppressive TME and drug resistance.

Business Review (Continued)

IAH0968

Our Core Product IAH0968 is an internally developed, the first anti-HER2 antibody in clinical stage with 100% fucose-removal. Antibodies consist of two structural regions, Fab and Fc. Unlike Fab region, which defines the specific target of an antibody, Fc region mediates ADCC by activating the immune system through engaging various Fc receptors. Studies of the structure of the Fc region of antibodies and its receptor FcγRIIIa complex revealed that the core fucose of the Fc region is accommodated at a place that interferes with the binding between the Fc region and FcγRIIIa, and thus reducing the affinity between them and resulting in lower ADCC activity. Therefore, modifying to remove fucose is desirable to better recruit immune cells, resulting in enhanced ADCC activity. As a result, this approach has been widely attempted in the biopharmaceutical industry. However, despite numerous attempts by multiple players to modify antibodies through various approaches, such as Fc point specific mutation and fucose removal, most resulting antibodies still contain a certain percentage of core fucose.

The Phase I clinical trial showed that IAH0968 was well tolerated and exhibited antitumor activities in patients with advanced HER2+ malignant solid tumors including breast cancers, gastric cancers, CRC and BTC with drug resistance to trastuzumab, pertuzumab, cetuximab, docetaxel, oxaliplatin, capecitabine, irinotecan, nab-paclitaxel and apatinib, or anti-PD-1 mAbs. Data showed that only one dose-limiting toxicity ("**DLT**") was found at dosage 10mg/kg, and no maximum tolerable dose ("**MTD**") was reached. While no head-to-head study was conducted, the Phase I clinical data showed that IAH0968 achieved significantly improved objective response rate ("**ORR**") and disease control rate ("**DCR**") in heavily pretreated metastatic CRC and BTC patients, when compared to the historical data of current treatments. For heavily pretreated metastatic CRC and BTC patients, the ORR was 40%, and DCR was 80%.

We obtained the IND approval for conducting Phase I and Phase II clinical trials of IAH0968 from the NMPA in October 2020, commenced the Phase I clinical trial in August 2021, and completed the Phase I clinical trial of using IAH0968 as a monotherapy for heavily pretreated patients with advanced HER2+ malignant solid tumors in March 2023. Based on the encouraging clinical data from the Phase I trial, we obtained IND approvals from the NMPA to conduct Phase II and Phase III clinical trials of using IAH0968 in combination with chemotherapy for first-line treatment of inoperable HER2+ advanced or metastatic CRC, and to conduct Phase II clinical trials of using IAH0968 in combination with chemotherapy for first-line treatment of HER2+ metastatic BTC patients in September 2022. We also obtained IND approval from the NMPA to conduct Phase II and Phase III clinical trials of using IAH0968 in combination with chemotherapy for first-line treatment of HER2+ advanced or metastatic GC, and HER2-expressing solid tumors in April 2024. We have dosed the first CRC patient of the Phase IIa trial in May 2023, and also have dosed the first BTC patient of the Phase II clinical trial in August 2023. We entered a Phase IIb/III clinical trial for CRC in January 2024. We also entered a Phase IIb/III clinical trial for GC in August 2024.

Business Review (Continued)

IAP0971

Our Core Product IAP0971 is an internally developed, dual-moiety, anti-programmed death-1 ("**PD-1**") antibody-IL-15/IL-15Rα heterodimer dual T cell and NK cell agonist. IAP0971 is expected to synergistically strengthen the antitumor activity through blockade of the PD-1/its ligand ("**PD-L1**") signaling pathway and accumulating IL-15 at the targeted tumor site to activate its nearby immune cells, including CD8+ T cells and NK cells, directly activating both innate and adaptive immune systems.

In July 2023, we completed Phase I clinical trial of IAP0971 for advanced malignant tumors. Phase I clinical data showed that IAP0971 exhibited a favorable safety profile at up to 200 μg/kg in patients with advanced malignant tumors, with no DLT and MTD observed. Preliminary antitumor efficacy was observed in five patients treated with IAP0971 as later-line therapy. These five patients include one with CRC, one with cervical cancer, one with ovarian cancer, and two with NSCLC, and those patients underwent multiple rounds of treatments including chemotherapy, targeted therapy, immunotherapy and/or their combination, and experienced disease progress and metastases. After receiving IAP0971 for two treatment cycles, all five patients achieved stable disease ("**SD**"). Especially, one NSCLC patient complicated with adrenal gland and other metastases was resistant to several prior treatments, including chemotherapy regimes such as multiple paclitaxel-containing combination, and combination therapies with targeted therapy and immunotherapy, such as erlotinib, camrelizumab, sintilizumab and bevacizumab. This patient received 120 μg/kg IAP0971 for two treatment cycles and achieved SD. The other NSCLC patient complicated with pleura or pleural effusion metastases was resistant to several prior treatments, and also achieved SD after two cycles of 200 μg/kg IAP0971 administration.

In January 2022 and December 2021, we obtained IND approvals from both the NMPA and the FDA for conducting Phase I and Phase II clinical trials in patients with advanced malignant tumors, respectively. We commenced the Phase I clinical trial in China in June 2022 according to a protocol approved by both the NMPA and the FDA, and completed the Phase I clinical trial in July 2023. In May 2023 and August 2023, we also obtained IND approvals from both the NMPA and the FDA for conducting Phase I and Phase II clinical trials in patients with BCG unresponsive high risk NMIBC, respectively. We dosed the first NMIBC patient in March 2024.

Business Review (Continued)

IAE0972

Our Core Product IAE0972 is an internally developed, dual-moiety, anti-epidermal growth factor receptor ("**EGFR**") antibody-IL-10 homodimer bifunctional fusion protein for immune cell activation. Like IAP0971, IAE0972 is also expected to achieve synergistical antitumor activities leveraging the advantages of immunocytokine yet through a different combination of antibody target and cytokine payload. It is designed to blockade the EGFR signaling pathway and specifically deliver IL-10 to the targeted tumor site to activate CD8+ T cells, and potentially NK cells.

We obtained the IND approval for conducting Phase I and Phase II clinical trials in patients with advanced solid tumors from the FDA and the NMPA in December 2021 and January 2022, respectively, commenced the Phase I clinical trial in China in June 2022 according to a protocol approved by both the NMPA and the FDA, and completed the Phase I clinical trial in July 2023. In our Phase I clinical trial of IAE0972 for advanced solid tumors, we recruited 14 patients with advanced esophageal squamous cell carcinoma, rectal cancer, gastric cancer, pancreatic cancer, small cell lung cancer ("**SCLC**") or NSCLC who progressed from at least one line of treatment. We completed dose escalation for 1 μg/kg, 10 μg/kg, 100 μg/kg, 0.3 mg/kg, 1.0 mg/kg and 2.5 mg/kg of IAE0972, and only observed one Grade 3 adverse events. No DLT occurred and MTD was not reached. Preliminary efficacy was observed in multiple heavily pretreated patients who failed all previous therapies. A CRC patient complicated by lung metastasis, who has received multiple lines of prior treatments including standard mFOLFOX6 (5-fluorouracil, leucovorin and oxaliplatin) and CapeOX (capecitabine and oxaliplatin) regimens, achieved SD after given 10 μg/kg of IAE0972 for two treatment cycles. Another patient with rectal cancer and lung metastasis and lymph node metastasis, who had experienced recurrence after received two resections, achieved SD after receiving 1.0mg/kg of IAE0972 monotherapy for two cycles.

We also obtained the IND approval for conducting Phase II and Phase III clinical trials of IAE0972 in combination with chemotherapy in recurrent or metastatic HNSCC and NPC from the NMPA in September 2024.

Other pipeline products

In addition to our product candidates mentioned above, we are developing a number of clinical stage and IND-enabling product candidates that we believe have high commercial viability. As of December 31, 2024, except for IBC0966, we maintained the global rights to develop and commercialize them. For IBC0966, we have exclusive rights to develop, manufacture and commercialize in Greater China including Mainland China, Hong Kong, Macau and Taiwan and have partial overseas rights.

Business Review (Continued)

Other pipeline products (Continued)

- **IBB0979:** IBB0979, another immunocytokine developed by us, is a clinical stage, dual-moiety, anti-B7H3 antibody-IL-10 homodimer bifunctional fusion protein for immune cell activation. It is designed to bind to B7H3 and trigger blockage of downstream signaling pathways that participate in TME shaping and development, and deliver IL-10 to activate CD8+ T cells to fight against tumors. We obtained the approval for conducting Phase I and Phase II clinical trials in patients with locally-advanced or metastatic solid tumors from the FDA and the NMPA in October 2022 and November 2022, respectively. The Phase I clinical trial is currently on-going, with the first patient dosed in July 2023. Since B7H3 is overexpressed in a wide range of cancers including glioma, thyroid, lung, head and neck, rectal, prostate, breast, skin, renal cell, and ovarian cancers, it has the potential to become a next-generation therapy for resolving T cell exhaustion in cancer patients. We have filed IND application to the NMPA for conducting Phase II and Phase III clinical trials of IBB0979 in combination with chemotherapy in recurrent or metastatic SCLC in February 2025.

- **IBC0966:** IBC0966 is a clinical stage anti-PD-L1 antibody-SIRPα bifunctional fusion protein that simultaneously stimulates both innate and adaptive immunity to achieve strong synergistic effects and induce long-lasting tumor-specific immune responses. It is designed to bind to PD-L1 and trigger blockage of the PD-1/PD-L1 signaling pathway to enable T cells to recognize and kill targeted cancer cells, and in the meantime deliver SIRPα to the targeted TME to interact with CD47 to block the "don't eat me" signal of macrophages for tumor cell killing. In March 2021, we obtained the IND approval from the NMPA for conducting clinical trials of IBC0966. We completed the Phase I clinical trial of IBC0966 as monotherapy for advanced malignant tumors in December 2023. We acquired exclusive rights from ImmuneOnco Biopharmaceuticals (Shanghai) Inc. ("**ImmuneOnco**") to develop, manufacture and commercialize IBC0966 in Greater China including Mainland China, Hong Kong, Macau and Taiwan.

- **IBD0333:** IBD0333 is a clinical stage 4-1BB and CD24 bsAb that simultaneously stimulates both innate and adaptive immunity to achieve strong synergistic effects with reduced hepatotoxicity. It is designed to bind to 4-1BB, a robust immune cell activator expressed by CD8+ T cells as well as DC cells, monocytes, B cells, mast cells, NK cells and neutrophils, and CD24, a promising target that plays a key role in tumor evasion in CD24-sialic-acid-binding Ig-like lectin 10 axis and thus is highly expressed in many cancer types. We have obtained IND approvals from the FDA in June 2023 and from the NMPA in July 2023. We initiated a Phase I clinical study in March 2024 in patients with locally advanced/metastatic solid tumors.

- **ISH0613:** ISH0613 is an internally developed bifunctional antibody fusion protein that simultaneously inhibits B cell activation and IFNα secretion based on our AIC™ Platform. We are developing ISH0613 as a monotherapy for the treatment of systemic lupus erythematosus ("**SLE**").

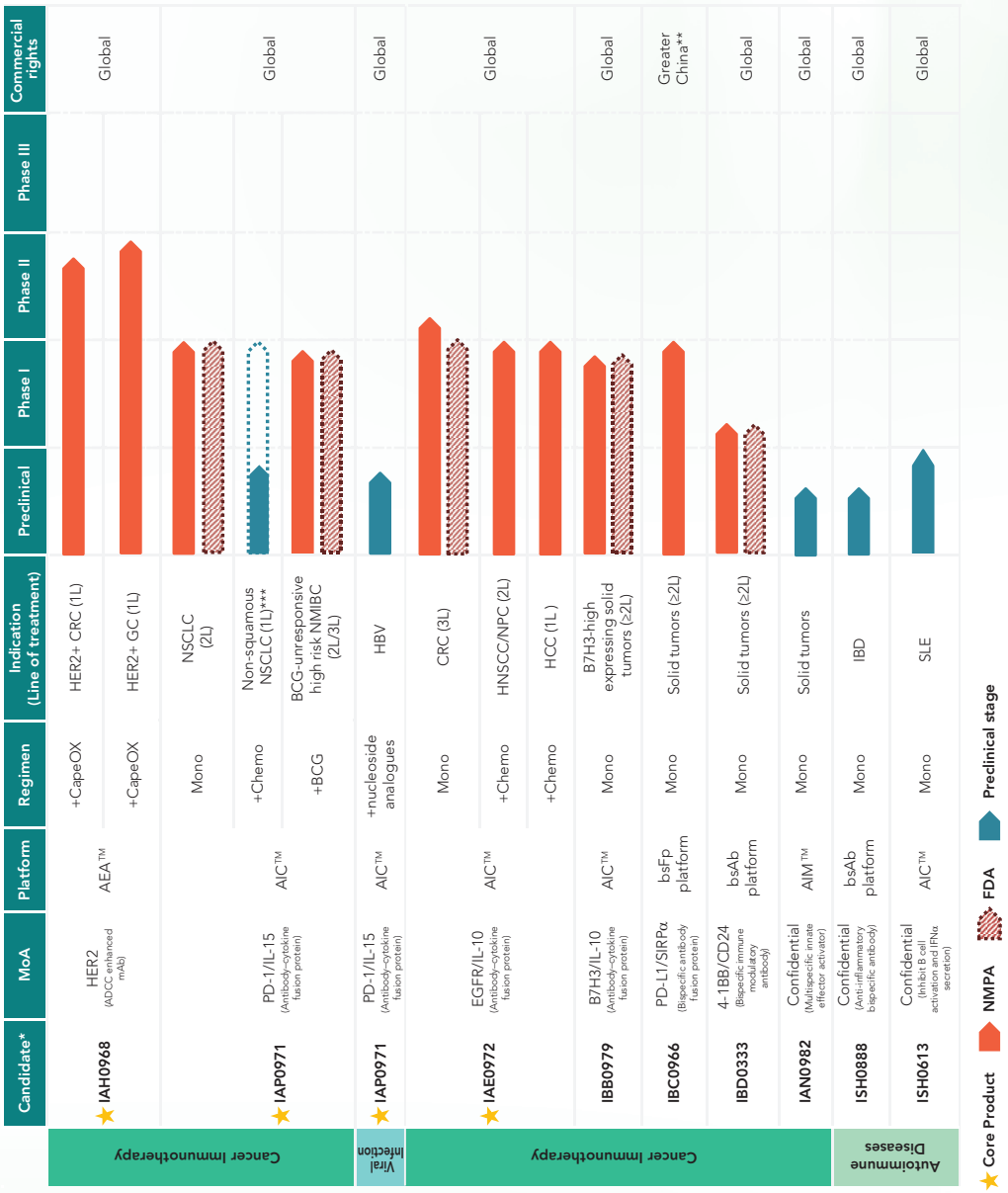
- **IAN0982:** IAN0982 is an internally developed multi-specific innate effector activator based on our AIM™ Platform. We are developing IAN0982 as a monotherapy or in combination with other therapeutics including chemotherapy and immunotherapy for the treatment of advanced solid tumors.

- **ISH0888:** ISH0888 is an internally developed bifunctional anti-inflammatory bispecific antibody based on our bsAb Platform. We are developing ISH0888 as a monotherapy for the treatment of inflammatory bowel disease.

Business Review (Continued)

Other pipeline products (Continued)

The following diagram summarizes the status of the product pipeline of the Group as of December 31, 2024:



Business Review (Continued)

Other pipeline products (Continued)

Abbreviations: 1L = first-line; 2L = second-line; 3L = third-line; ADCC = antibody-dependent cell-mediated cytotoxicity; AEA™ = ADCC Enhanced Antibody Platform; AIC™ = Armed ImmunoCytokine Platform; AIM™ = Armed Innate Effector Multi-specific Platform; BCG = Bacillus Calmette-Guerin; bsAb = bispecific antibody; bsFp = bispecific fusion protein; CapeOX = capecitabine and oxaliplatin; Chemo = chemotherapy; FDA = U.S. Food and Drug Administration; GC = gastric cancer; mAb = monoclonal antibody; Mono = monotherapy; NMPA = National Medical Products Administration; NSCLC = non-small cell lung cancer; NMIBC = non-muscle invasive bladder cancer; CRC = colorectal cancer; HBV = hepatitis B virus; HNSCC = head and neck squamous cell carcinoma; NPC = nasopharyngeal carcinoma; HCC = hepatocellular carcinoma; IBD = inflammatory bowel disease; SLE = systemic lupus erythematosus.

Notes:

* All the product candidates are administered intravenously, except for IAP0971 for the treatment of 2L/3L NMIBC, which will be administered through intravesical instillation, as well as IAP0971 for the treatment of NSCLC, which will be administered through subcutaneous injection.

** We acquired exclusive rights from ImmuneOnco to develop, manufacture and commercialize IBC0966 in Greater China including Mainland China, Hong Kong, Macau and Taiwan, as well as 7.5% of interests in the overseas rights of IBC0966. For more information, see "Business — Collaboration Arrangement — Collaboration Agreement With ImmuneOnco in Relation to the Development of IBC0966" in the Prospectus.

*** We have completed Phase I clinical trials of relevant products as monotherapy, and plan to leverage data collected in the respective trials and directly seek IND approvals from competent regulatory authorities to conduct Phase II clinical trials of relevant products as combination therapy.

For further details of the product candidates of the Group, please refer to the Prospectus.

Warning: There is no assurance that we will ultimately be able to develop and market our Core Products or any of our pipeline products successfully.

Our Platforms

Our commitment to innovation is evident and supported by our proprietary technology platforms, which include (i) AIC™ Platform, a scalable platform mainly concentrated on antibody-cytokine fusion protein development, (ii) AEA™ Platform, a FUT8 knock-out cell line constructed to enhance the cytotoxicity of antibodies, and (iii) AIM™ Platform, a platform that focuses on the development of innate immunity stimulator-based bispecific/multi-specific antibodies. Each of them is designed for addressing technical difficulties and drug resistance faced in developing immunotherapies and achieving optimized treatment effects. Since their launch, we have developed IAP0971, IAE0972, IBB0979 and ISH0613 based on AIC™ Platform, IAH0968 based on AEA™ Platform, and IAN0982 based on AIM™ Platform.

AIC™ Platform

Our AIC™ Platform is prominently positioned in the field of immunocytokine development from multiple aspects, including cytokine selection and optimization, antibody selection and engineering, structural design and engineering, and production through customized cell line. It is a comprehensive research engine that includes not only a pool of intact immunoglobulin G antibodies and cytokines, but also functional antibody fragments and other types of immune system modulators. It is able to generate products ranging from immunocytokines to other bifunctional fusion proteins. Our clinical stage drug candidates IAP0971, IAE0972 and IBB0979, and preclinical stage drug candidate ISH0613 were developed based on the AIC™ Platform.

Our Platforms (Continued)

AIC™ Platform (Continued)

Core competencies of our AIC™ Platform include mechanism of action ("**MoA**")-based antibody-cytokine selection, biology-oriented structural design and protein engineering, and production through customized cell lines.

- MoA-based antibody-cytokine selection is the cornerstone to achieve desired synergistic effects between antibody and cytokine. For example, selection of anti-PD-1 antibody and IL-15 cytokine for developing IAP0971 is grounded on their shared action site on the same T/NK cells, leading to great cis-synergy. The combination of anti-EGFR antibody and IL-10 is selected based on the potential engager effects it can produce. Specifically, IAE0972 can engage CD8+ T cells through IL-10 while simultaneously targeting tumor cells through the EGFR antibody moiety.

- Structural design and protein engineering module enable us to structurally design and modify our products to achieve improved safety and efficacy profile while reducing manufacturing cost and enhancing product quality manageability. Structural modifications that we are capable to perform through our AIC™ Platform include antibody and cytokine engineering, deglycosylation, linker/spacer design and optimization, and tertiary structure alteration.

- Production through customized cell lines is another important function performed by our AIC™ Platform. The cell lines we constructed for producing immunocytokines and other bifunctional fusion proteins are obtained after undergoing multiple rounds of metabolic and growth optimization and are of high expression capacity and excellent purification yield. Coupled with unique cytokine-specific codon optimization, stably expressed vehicles with optimized expression cassettes and our high-throughput screening system, it is able to reach an expression level of 4g/L and one-step affinity chromatography purity of 86%.

AEA™ Platform

Our AEA™ Platform is a biologically engineered Chinese hamster ovary ("**CHO**") cell line with the FUT8 knocked-out to generate antibodies with enhanced ADCC and improved antitumor activities. Through this bioengineering modification, the CHO cell line will not be able to catalyze the transfer of fucose residue from its donor to its target, and thus is not able to produce any antibody that carries fucose. Because absence of core fucose on the Fc region has been shown to increase the Fc region's binding affinity (up to 100 times) to its receptor FcγRIIIa present on immune effector cells, fucose-negative antibodies are expected to have enhanced ADCC activities through better activating immune effector cells.

Comparing to other platforms that aim to achieve enhanced ADCC by removing fucose from antibodies, AEA™ Platform is expected to produce antibodies with 0% of fucose, which stably and thoroughly enhances the ADCC of antibodies and simplifies quality control of the products.

Our Platforms (Continued)

AIM™ Platform

Our AIM™ Platform focuses on designing multi-functional biological products by engaging the innate immune system for cancer immunotherapy. It selects tumor associated antigen antibodies for cancer targeting, receptors agonist antibodies for innate effector activation, and cytokines and other TME factors for immune modulation to design multi-specific antibody fusion proteins, and evaluates them in terms of expression, target binding, in vitro and in vivo biological activities, as well as druggability. Currently, we have developed several categories of our proprietary AIM™ Platform that allow us to explore the combination of innate immunity stimulators with different types and numbers of targets, which provide us with abundant flexibility and diversity of various types of TME modulations for different clinical indications.

R&D

We consistently devote resources to R&D to pave for long-term growth. We believe the diversification and expansion of our product pipeline through both in-house R&D and through external collaboration are critical to our long-term competitiveness and success. Our fully-integrated biological therapeutic platform encompasses all the key biologic drug development functionalities, enabling us to identify and address potential clinical and manufacturing needs early in the development process, so we can direct our efforts towards biologics with best potential. Our platform spans from the early phase of identifying demand, developing core technologies, managing clinical trials, to the manufacturing of products. We believe that our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through changing market needs, enable us to improve pipeline viability and expedite product development cycle at lower cost.

Collaboration Arrangement

In October 2019, we entered into a collaboration agreement (the "**IBC0966 Agreement**") with ImmuneOnco with respect to the technology transfer, development, manufacture and commercialization of IBC0966. Pursuant to the IBC0966 Agreement, ImmuneOnco transferred to us (i) all of its rights and interests, including but not limited to development, production, regulatory filings and commercialization, in relation to IBC0966 in Mainland China, Hong Kong, Macau and Taiwan (the "**Territory**"); (ii) all related patents, if applicable, registered in the Territory; and (iii) all technical data and analytical methods relating to the development of IBC0966. Accordingly, ImmuneOnco has transferred to us its invention patent in Mainland China in relation to IBC0966 (patent number: CN111278865B), which covered all the key characteristics of IBC0966, and we have completed the administrative registration of the transfer. The application of this patent was filed on October 24, 2018 and the patent will expire on October 24, 2038.

Collaboration Arrangement (Continued)

Manufacturing

We have established our own global GMP-compliant manufacturing facilities, which meet both clinical and commercial production demands to quantity, quality and dosage form of our product candidates. We currently have four active drug substance production lines up to a total capacity of 1,600L, including three 200L and one 1,000L disposable bioreactors. We have successfully completed over 30 production batches of immunocytokines, mAbs, bsAbs and fusion proteins, which fulfilled the needs for performing preclinical studies, pilot production of antibody drugs and conducting early phase clinical trials. We have completed the installation of a production line for 5,000L bioreactor capacity, and completed the qualification in November 2023. When putting into operation, it will enable us to manufacture our drug candidates for Phase III clinical trials and commercialization in-house. Our drug product facility includes one commercial-scale liquid injection filling production line and one commercial scale lyophilized powder production line, which enables us to prepare biological products into various dosage forms according to different needs.

Future and Outlook

We plan to implement the following strategies to achieve our goals and visions:

- Focus on the development of immunocytokines to enhance position in this drug development field;
- Continue advancing selected pipeline products with great clinical value and commercial potential;
- Expand our GMP-compliant manufacturing facility to enhance our production capabilities and start to assemble our commercial team;
- Actively seek international collaboration opportunities to maximize value of our assets and increase brand awareness on a global scale; and
- Continue to focus on selecting and retaining top talents to fuel our innovation.

Financial Review

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

Other Income

During the Reporting Period and the year ended December 31, 2023, other income consisted of (i) government grants by the PRC local government authorities mainly to support our R&D activities; and (ii) interest income from financial institutions. The following table sets forth a breakdown of our other income for the Reporting Period and the year ended December 31, 2023:

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Government grants	**38**	17,326
Interest income from financial institutions	**9,447**	3,471
Sales income from contract manufacturing services	**–**	208
Total	**9,485**	21,005

Other income of the Group decreased by approximately 54.8% from approximately RMB21.0 million for the year ended December 31, 2023 to approximately RMB9.5 million for the Reporting Period, which was primarily due to the decrease in government grants received by the Group in the Reporting Period.

Other Gains and Losses, Net

Our net other gains amounted to approximately RMB38.7 million during the Reporting Period, changed from net other losses of RMB49.6 million for the year ended December 31, 2023, which was primarily due to that the Group recorded gains from fair value change of financial liabilities at FVTPL, as well as net foreign exchange gains in the Reporting Period. The net other gains and losses consisted of (i) gain/loss from fair value change of financial liabilities at FVTPL, mainly representing fair value gains/losses of the preferred shares issued to the pre-IPO investors of our Company's global offering; and (ii) net foreign exchanges losses or gains.

R&D Expenses

During the Reporting Period and the year ended December 31, 2023, our R&D expenses consisted of (i) contract research expenses in relation to the engagement of contract service providers; (ii) staff costs incurred by our R&D personnel; (iii) depreciation and amortization expenses in relation to our R&D machinery and equipment; (iv) material consumed in the course of our R&D activities; (v) application fees for our patents and IND applications; (vi) share-based compensation; and (vii) other R&D expenses, mainly comprising traveling and transportation expenses of our R&D personnel, utilities incurred for our R&D activities and other miscellaneous expenses.

Financial Review (Continued)

R&D Expenses (Continued)

The following table sets forth a breakdown of our R&D expenses for the periods indicated.

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Contract research expenses	**11,047**	11,263
Staff costs	**16,720**	15,231
Depreciation and amortization expenses	**8,243**	8,005
Materials consumed	**3,805**	3,239
Application fees	**725**	1,180
Share-based compensation	**25,986**	756
Others	**4,591**	3,367
Total	**71,117**	43,041

The R&D expenses for the Reporting Period increased from approximately RMB43.0 million in 2023 to approximately RMB71.1 million in the Reporting Period, which was mainly due to the increase in share-based compensation.

Administrative Expenses

During the Reporting Period and the year ended December 31, 2023, our administrative expenses amounted to approximately RMB30.3 million and approximately RMB40.7 million, respectively, consisting of (i) general office expenses mainly comprising office product expenses, conference expenses and traveling and transportation expenses of administrative personnel; (ii) employee benefits expenses mainly relating to salaries, bonus and other welfare for our administrative employees; (iii) depreciation and amortization expenses for assets which were used for administrative purpose; (iv) professional service fees, which were primarily for related consulting, auditing and asset valuation in relation to corporate administration and restructuring; (v) share-based compensation; and (vi) other administrative expenses mainly including tax and surcharges and other miscellaneous expenses. The decrease in administrative expenses for the Reporting Period as compared to the year ended December 31, 2023 was primarily due to the decrease in management's share-based compensation in 2024 as compared to 2023.

Finance Costs

During the Reporting Period and the year ended December 31, 2023, our finance costs amounted to approximately RMB0.9 million and approximately RMB0.7 million, respectively, consisting of (i) interest expenses on our borrowing from Nanjing Bode; (ii) interest expenses on bank loans; and (iii) interest expenses on our lease liabilities. The increase in finance costs for the Reporting Period as compared to the year ended December 31, 2023 was primarily due to the increase in interest expenses on loans.

Financial Review (Continued)

Listing Expenses

Listing expenses represent expenses incurred for our listing and global offering. During the Reporting Period and the year ended December 31, 2023, we recorded listing expenses of approximately RMB25.8 million and approximately RMB19.6 million, respectively.

Income Tax Expenses

Our income tax expense for the Reporting Period was nil (for the year ended December 31, 2023: nil).

Loss for the Period

As a result of the foregoing, our loss for the period decreased from approximately RMB132.7 million for the year ended December 31, 2023 to approximately RMB80.0 million for the Reporting Period.

Liquidity and Financial Resources

We have continued to maintain a healthy and sound financial position and have followed a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved. As of December 31, 2024, the Group's total cash and cash equivalents amounted to approximately RMB79.0 million, representing a decrease of approximately 36.9% as compared to approximately RMB125.1 million as of December 31, 2023.

As of December 31, 2024, the time deposits of the Group amounted to approximately RMB219.5 million, representing an increase of approximately 520% as compared to that as of December 31, 2023 (as of December 31, 2023: approximately RMB35.4 million).

As of December 31, 2024, current assets of the Group amounted to approximately RMB493.0 million; and current liabilities of the Group amounted to approximately RMB44.1 million, including interest-bearing bank loans of approximately RMB34.3 million. Bank loans of our Group were denominated in RMB, with approximately RMB9.5 million secured by bank deposits of USD1,460,000 and approximately RMB24.8 million unsecured, payable within 12 months and carried an annual interest rate ranging from 3.35% to 3.80%.

Financial Review (Continued)

Indebtedness

The following table sets forth the breakdown of our lease liabilities, interest-bearing bank loans and convertible redeemable preferred shares as of the dates indicated:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Secured and unguaranteed		
Bank loans	**9,500**	–
Lease liabilities	**22**	–
Unsecured and unguaranteed		
Lease liabilities	**6,874**	9,074
Financial liabilities at FVTPL	**–**	311,525
Bank loans	**24,800**	–
Total	**41,196**	320,599

As at December 31, 2024, we had total and other borrowing of RMB34.3 million denominated in RMB, of which RMB9.5 million are secured at a fixed interest rate of 3.44%. The unsecured bank loans carried fixed interest rate ranging from 3.35% to 3.80% per annum. Save as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of December 31, 2024.

Gearing Ratio

As of December 31, 2024, the gearing ratio, calculated by dividing total liabilities by total assets and multiplied by 100%, decreased to approximately 8.7%, as compared with approximately 135.8% as of December 31, 2023.

Significant Investments, Material Acquisitions and Disposal

On June 28, 2024, Sunho (HK) Limited (as the subscriber), entered into the subscription letters, pursuant to which Sunho (HK) Limited has agreed to subscribe for three funds. Please refer to the announcement of the Company dated June 28, 2024 and the supplemental announcements of the Company dated July 5, 2024 and July 9, 2024 for details. Save as disclosed above, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2024.

Future Plans for Material Investments or Capital Assets

As of December 31, 2024, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any future plan for material investments or capital assets.

Capital Commitments

As of December 31, 2024, we had capital commitment of RMB23.3 million, primarily arose from the contracts we entered into with suppliers for the acquisition of equipment and the contract we entered into to acquire the land use right to support the construction of our production lines and the expansion of our business operations (as of December 31, 2023: RMB18.6 million).

Contingent Liabilities

Except for the under provision of social insurance and housing provident fund contributions, we did not have any material contingent liabilities as of December 31, 2024. For the related risk, see "Risk Factors — Risks Relating to Our Operations — Any failure to comply with the PRC regulations regarding contribution of social insurance premium or housing provident funds may subject us to fines and other legal or administrative measures" in the Prospectus.

Pledge of Assets

The bank loans of RMB9,500,000 as at December 31, 2024 are secured, unguaranteed and carried fixed interest rate of 3.44% (as of December 31, 2023: nil). Such bank loans are secured by bank deposits of USD1,460,000 (equivalent to approximately RMB10,509,000).

Foreign Exchange Exposure

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$ and USD. The conversion of foreign currencies into RMB, including HK$ and the USD, has been based on rates set by the People's Bank of China. The Group primarily limits our exposure to foreign currency risk by closely monitoring the foreign exchange market. During the Reporting Period, the Group did not enter into any currency hedging transactions.

Use of Proceeds

The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from our Company's global offering of approximately HK$391.6 million. The net proceeds from our Company's global offering have been and will be used in accordance with the purposes as set out in the Prospectus. The following table sets forth the use of the net proceeds from our Company's global offering as of December 31, 2024:

Proposed use of proceeds	Allocation of net proceeds from the global offering (HK$ million)	Percentage of total net proceeds (%)	Utilized amount (as of December 31, 2024) (HK$ million)	Unutilized amount (as of December 31, 2024) (HK$ million)
For ongoing and planned clinical trials of IAH0968 in China	110.4	28.2	29.61	80.79
For ongoing and planned clinical trials of IAP0971 in China	140.1	35.8	10.03	130.07
For ongoing and planned clinical trials of IAE0972 in China	141.1	36.0	3.38	137.72
Total	391.6	100	43.02	348.58

The Company expects that the net proceeds from the global offering will be used up by 2026.

Events after the Reporting Period

Save as disclosed in note 21 to the consolidated financial statements for the year ended December 31, 2024 of the Group, there has been no important event subsequent to the Reporting Period and up to the date of this report, which would affect the Group's business operations in material aspects.

Employee and Remuneration

As of December 31, 2024, our Group had a total of 130 employees. The total remuneration cost of our Group for the Reporting Period was RMB48.4 million, as compared to RMB48.2 million for the year ended December 31, 2023. We have designed an evaluation system to assess the performance of its employees periodically. Such system forms the basis of our determinations of whether an employee should receive a salary raise, bonus, or promotion. We believe the salaries and bonuses that the employees receive are competitive with market rates.

We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge. We design and offer different training programmes for our employees in various positions.

We make contributions to the social insurance and housing provident fund for all of our employees in the PRC. We have adopted the RSU Scheme to recognize and motivate the contributions by the relevant participants and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of our Group. Please refer to "D. RSU Scheme" in Appendix IV to the Prospectus and "RSU Scheme" in this report for a summary of the principal terms of the RSU Scheme.

Final Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (for the year ended December 31, 2023: nil).

Directors and Senior Management

Directors

Executive Directors

Mr. ZHANG Feng (張峰), aged 52, founded our Group on April 2, 2018. He was appointed as a Director on May 14, 2021 and was re-designated as an executive Director on July 22, 2023. He was further appointed as the chairman of our Board on July 22, 2023. He is responsible for supervising and providing overall management, operation and strategies of our Group. Mr. Zhang is also currently the chairman of the board of directors of SunHo (China) BioPharmaceutical and a director of Sunho bio Investments.

Mr. Zhang has more than 23 years of experience in the pharmaceutical industry. Prior to February 2002, Mr. Zhang worked at pharmaceutical companies, where he was primarily responsible for marketing and promotion of chemical drugs of those companies. Since February 2002, he has been the chairman of the board of directors of Nanjing Yoko where he has been primarily responsible for providing overall management, operation and investment strategies.

Mr. Zhang obtained his master's degree in business administration from the Nanjing University of Science and Technology (南京理工大學) in Jiangsu in July 2006. Besides, Mr. Zhang has successfully obtained marketing approvals for nearly 20 drugs and manufacturing certificates for over 30 drugs, and has been involved in the development of more than 50 clinical and preclinical products, 15 of which are Class 1 or Class 2 new drugs according to the drug classification standards issued by the NMPA. In addition to his leadership in the pharmaceutical industry, Mr. Zhang holds various positions in academic and industry organizations. For instance, he is a member of the seventh editorial board of Progress in Pharmaceutical Sciences (《藥學進展》), a committee member of the Antitumor Drug Committee of the Chinese Pharmaceutical Association (中國藥學會抗腫瘤藥物專業委員會), and the vice president of the Jiangsu Provincial Pharmacy Association (江蘇省醫藥行業協會).

Dr. YIN Liusong (殷劉松), aged 38, has joined our Group as the chief executive officer and chief scientific officer of SunHo (China) BioPharmaceutical since November 2020. He was appointed as a Director on July 21, 2023, and was re-designated as an executive Director and further appointed as the chief executive officer and chief scientific officer of our Company on July 22, 2023. He is responsible for daily operations and scientific affairs of our Group. Dr. Yin is also currently a director of SunHo (China) BioPharmaceutical, Sunho bio Investments, Sunho HK, Sunho Pharmaceutical Technology and Nanjing Sunho.

Dr. Yin has more than ten years of experience in the biopharmaceutical industry. From 2014 to 2015, he worked as a postdoctoral fellow at Pfizer (輝瑞公司), a pharmaceutical company, where he was involved in the research on immunogenicity of macromolecular drugs. From March 2015 to October 2020, he worked at and last served as an executive director of GenScript Biotech Corporation (金斯瑞生物科技股份有限公司), a company listed on the Stock Exchange (stock code: 1548) and principally engaged in the manufacturing and sale of life science research products and services, where he was primarily responsible for biopharmaceutical projects and discovery platforms.

Dr. Yin obtained his bachelor's degree in biological sciences from the University of Science and Technology of China (中國科學技術大學) in Anhui in July 2008. He further obtained his doctor's degree in biomedical sciences from UMass Chan Medical School (formerly known as UMass Medical School) in Massachusetts in April 2014.

Directors (Continued)

Executive Directors (Continued)

Ms. JIANG Xiaoling (姜曉玲), aged 43, has joined our Group as a deputy general manager and the head of R&D at SunHo (China) BioPharmaceutical since February 2020. She was appointed as a Director on July 21, 2023, and was re-designated as an executive Director and further appointed as our vice president on July 22, 2023. She is responsible for management of our R&D department and product registration. Ms. Jiang is also currently a supervisor of SunHo (China) BioPharmaceutical, Sunho Pharmaceutical Technology and SunHo (Zhejiang) BioPharmaceutical.

Ms. Jiang has more than 17 years of experience in R&D of pharmaceuticals, including biosimilar drugs and antibody drugs. From December 2007 to October 2009, Ms. Jiang worked as a researcher at Dragon Boat Pharmaceutical Technology (Shanghai) Co., Ltd. (寶船生物醫藥科技(上海)有限公司), a company principally engaged in the R&D of biologics, where she was involved in protein expression-related drugs and cell line construction. From October 2009 to October 2011, she worked as a senior researcher at Nanjing GenScript Biotechnology Co., Ltd. (南京金斯瑞生物科技有限公司), a company principally engaged in providing outsourcing services for the R&D of antibody drugs, where she was primarily responsible for production of stable cell line construction and R&D of biosimilar drugs. From October 2011 to February 2020, she served as a project leader and project manager at Nanjing Yoko Pharma Co., Ltd. (南京優科製藥有限公司), a wholly-owned subsidiary of Nanjing Yoko, where she was primarily responsible for R&D of chemical drugs.

Ms. Jiang obtained her bachelor's degree in biotechnology from Shandong Agriculture University (山東農業大學) in Shandong in July 2005. She further obtained her master's degree in biochemistry and molecular biology from Nanjing University (南京大學) in Jiangsu in June 2008. She has been certified as an engineer by the Nanjing Professional Titles Working Leading Group (南京市職稱工作領導小組) since July 2011.

Non-executive Director

Mr. FAN Rongkui (范融奎), aged 33, was appointed as a Director on July 21, 2023, and was re-designated as a non-executive Director on July 22, 2023. He is responsible for providing guidance on investment strategies and governance to our Group.

Mr. Fan has more than eight years of experience in audits and investment. From October 2016 to August 2018, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), an accounting firm. From September 2018 to November 2020, he served as a senior investment manager at V-Capital Company Limited (一村資本有限公司), a company principally engaged in healthcare investment, where he was primarily responsible for project discovery, investment decisions and post-investment management. From November 2020 to March 2022, Mr. Fan served as an investment director at Shanghai Xingong Investment Management Co. Ltd. (上海信公投資管理有限公司), a company principally engaged in healthcare investment, where he was primarily responsible for project discovery, investment decisions and post-investment management. Since March 2022, he has served as an investment director from March 2022 to August 2024 and as an associate managing director since August 2024 at Shenzhen Efung Investment Management Enterprise (Limited Partnership) (深圳市倚鋒投資管理企業(有限合夥)), a company principally engaged in healthcare investment, where he has been primarily responsible for project discovery, investment decisions and post-investment management.

Directors (Continued)

Non-executive Director (Continued)

Mr. Fan obtained his bachelor's degree in accounting from the China University of Geosciences (中國地質大學) in Hubei in June 2014. He further obtained his master's degree in science with a major in accounting and finance from Durham University in the United Kingdom in January 2016. He has been certified as a certified public accountant by the Certified Public Accountant Examination Committee of the MOF (中華人民共和國財政部註冊會計師考試委員會) since December 2018.

Independent Non-executive Directors

Mr. CHAN Heung Wing Anthony (陳向榮), aged 51, was appointed as our independent non-executive Director on July 22, 2023, with effect from the Listing Date. He is responsible for supervising and providing independent opinions to our Board.

Mr. Chan has more than 26 years of experience in the legal industry. He has practised law for more than 24 years at various law firms since July 2000, and he is currently a partner of KEMP M.B. LLP.

Mr. Chan obtained his bachelor's degree in law and his bachelor's degree in commerce with a major in finance from the University of New South Wales in New South Wales in October 1997. He obtained his Postgraduate Certificate in Laws from the University of Hong Kong (香港大學) in Hong Kong in June 1998. He further obtained his master's degree in accounting from Central Queensland University in Queensland in March 2004. Mr. Chan was admitted as a solicitor in Hong Kong in July 2000. He has been a member of the American Institute of Certified Public Accountants since March 2006.

Ms. FENG Lan (馮嵐), aged 46, was appointed as our independent non-executive Director on July 22, 2023, with effect from the Listing Date. She is responsible for supervising and providing independent opinions to our Board.

Ms. Feng has more than 22 years of experience in the pharmaceutical industry. From July 2001 to July 2008, she worked as an associate editor at the Center for Information, the NMPA (國家藥品監督管理局信息中心), where she was primarily responsible for monitoring drug market advertisements as well as the thesaurus project of the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部). From July 2009 to June 2012, she worked at and last served as the general manager of the Chinese Journal of New Drugs Co., Ltd. (《中國新藥雜誌》有限公司), a company principally engaged in reporting on global developments and achievements in the R&D of new drugs, where she was primarily responsible for editorial work, and the academic and marketing promotion of pharmaceutical companies. Since July 2012, Ms. Feng has worked at and is currently serving as a secretary-general of the China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), an association principally engaged in the promotion and improvement of China's pharmaceutical innovation ecosystem, where she has been primarily responsible for the overall operation and management of the association. Since September 2021, she has also served as an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002826) and principally engaged in the R&D of core products in the obstetrics field and treatment of chronic diseases such as diabetes and cardiovascular diseases in the elderly, where she has been primarily responsible for supervising and providing independent opinions to the company.

Directors (Continued)

Independent Non-executive Directors (Continued)

Ms. Feng obtained her bachelor's degree in medicine with a major in medical and pharmaceutical informatics from Jilin University (吉林大學) in Jilin in July 2001. She further obtained her executive master's degree in business administration from Peking University (北京大學) in Beijing in January 2014. She has been certified as an engineer by the National Institutes for Food and Drug Control (中國食品藥品檢定研究院) (formerly known as the National Institute for the Control of Pharmaceutical and Biological Products (中國藥品生物製品檢定所)) since November 2007.

Mr. SHI Luwen (史錄文), aged 61, was appointed as our independent non-executive Director on July 22, 2023, with effect from the Listing Date. He is responsible for supervising and providing independent opinions to our Board.

Mr. Shi has more than 25 years of experience in the pharmaceutical industry. Since April 2000, he has been working at and is currently a professor in pharmaceutical administration and clinical pharmacy at the School of Pharmaceutical Sciences of Peking University (北京大學藥學院). Since 2002, he has worked as a researcher and director at the International Research Center for Medical Administration of Peking University (北京大學醫藥管理國際研究中心), where he has been primarily involved in research. From December 2015 to December 2021, Mr. Shi served as an independent director of China Meheco Group Co., Ltd. (中國醫藥健康產業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600056) and principally engaged in the distribution of pharmaceutical and healthcare products in the PRC, where he was primarily responsible for supervising and providing independent opinions to the company. From May 2017 to July 2020, he served as a director of Zhejiang CONBA Pharmaceutical Co., Ltd (浙江康恩貝製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600572) and principally engaged in the R&D, manufacturing and distribution of medicines and chemical drugs in the PRC.

Besides, Mr. Shi has served as an independent non-executive director of Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司) (a company listed on the Stock Exchange (stock code: 3869) and principally engaged in hospital operations and management) since December 2016, Dragon Laboratory Instruments Limited (大龍興創實驗儀器(北京)股份公司) (a company principally engaged in the manufacturing of laboratory instruments in the PRC) since June 2020, Beijing Centergate Technologies (Holding) Co., Ltd (北京中關村科技發展(控股)股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000931) and principally engaged in pharmaceutical production and sales) since February 2022, Shandong Boan Biotechnology Co., Ltd. (山東博安生物技術股份有限公司) (a company listed on the Stock Exchange (stock code: 6955) and principally engaged in medical research and experimental development) since March 2022, and China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600511) and principally engaged in the sale and distribution of medical equipment) since April 2022, where he has been primarily responsible for supervising and providing independent opinions to the aforementioned companies.

Mr. Shi obtained his bachelor's degree in chemistry from Peking University (北京大學) in Beijing in July 1987. He further obtained his master's degree in health professions education from the University of Illinois in Illinois in July 1992. He obtained his independent director qualification from the Shanghai Stock Exchange in January 2016.

Directors and Senior Management

Senior Management

Mr. ZHANG Feng (張峰) is the chairman of our Board and our executive Director. For details, see "— Directors — Executive Directors" in this section.

Dr. YIN Liusong (殷劉松) is our executive Director, chief executive officer and chief scientific officer. For details, see "— Directors — Executive Directors" in this section.

Ms. JIANG Xiaoling (姜曉玲) is our executive Director and vice president. For details, see "— Directors — Executive Directors" in this section.

Ms. XU Chunqin (徐春芹), aged 46, has joined our Group as a deputy general manager of SunHo (China) BioPharmaceutical since December 2021, and was appointed as our chief financial officer and joint company secretary on July 22, 2023. She is responsible for overseeing financial management and corporate development of our Group.

Ms. Xu has more than 25 years of experience in financial management. From May 2000 to September 2009, she worked as an assistant manager at Jiangsu Simcere Pharmaceutical Co., Ltd. (江蘇先聲藥業有限公司), a company principally engaged in sales, distribution and R&D of pharmaceutical products. From September 2009 to December 2021, she was a deputy general manager of Nanjing Yoko.

Ms. Xu graduated from a part-time financial management course at Nanjing University (南京大學) in Jiangsu in January 2011.

Mr. JIANG Dongcheng (姜東成), aged 42, has joined our Group as the head of production at SunHo (China) BioPharmaceutical since May 2018, and was appointed as our vice president on July 22, 2023. He is responsible for overseeing process development and production of antibody drugs.

Mr. Jiang has more than 15 years of experience in the pharmaceutical industry. From June 2009 to June 2011, Mr. Jiang worked at Nanjing Meibo Biomedical Co., Ltd. (南京美博生物科技有限公司), a company principally engaged in the R&D and provision of technical services relating to biological products and in vitro diagnostic reagents. From June 2011 to March 2018, Mr. Jiang worked as a biological researcher at Nanjing Yoko, where he was primarily responsible for the R&D of chemical drugs.

Mr. Jiang obtained his bachelor's degree in bioengineering from the Inner Mongolia University of Science & Technology (內蒙古科技大學) in the Inner Mongolia Autonomous Region in June 2006. He further obtained his master's degree in biomedical engineering from Chongqing University (重慶大學) in Chongqing in June 2009.

Save as disclosed above, each Director and member of our senior management confirms with respect to himself/herself that he/she has not held any directorship in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Directors and Senior Management

Joint Company Secretaries

Ms. XU Chunqin (徐春芹) is our chief financial officer and joint company secretary. For details, see "— Senior Management" in this section.

Ms. WONG Hoi Ting (黃凱婷) was appointed as a joint company secretary of our Company on July 22, 2023. She currently serves as a manager in the listing services department of TMF Hong Kong Limited. She is responsible for providing corporate secretarial and compliance services to listed companies.

Ms. Wong has approximately eleven years of experience in the corporate secretarial field. She obtained her bachelor's degree in social sciences from Lingnan University (嶺南大學) in Hong Kong in October 2009. She further obtained her master of science degree in professional accounting and corporate governance from City University of Hong Kong (香港城市大學) in Hong Kong in July 2014. Ms. Wong is an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) in Hong Kong and The Chartered Governance Institute in the United Kingdom.

Changes in Directors' Information

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

Report of the Directors

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended December 31, 2024.

Directors

The Directors who held office from the date of Listing and up to the date of this report are:

Executive Directors

Mr. ZHANG Feng (張峰)
(Chairman)
Dr. YIN Liusong (殷劉松)
(Chief executive officer and chief scientific officer)
Ms. JIANG Xiaoling (姜曉玲)
(Vice president)

Non-executive Director

Mr. FAN Rongkui (范融奎)

Independent Non-executive Directors

Mr. CHAN Heung Wing Anthony (陳向榮)
Ms. FENG Lan (馮嵐)
Mr. SHI Luwen (史錄文)

Biographical details of the current Directors are set out in the section headed "Directors and Senior Management" on pages 25 to 30 of this report.

Principal Activities

We are a biopharmaceutical company committed to the discovery, development and commercialization of biologics that regulate immune microenvironment by directly modulating both the innate and adaptive immune systems. Drawing upon our expertise in immunology, we have developed various types of immunotherapies including immunocytokines to treat cancers and autoimmune diseases. We have three Core Products, IAH0968, IAP0971 and IAE0972, all of which are developed in-house. IAH0968 is an ADCC enhanced mAb, and we have initiated Phase II clinical trials for BTC, CRC and GC. IAP0971 and IAE0972 are both immunocytokines and we have completed Phase I clinical trials for advanced solid tumors including NSCLC and CRC.

We aim to develop innovative immunotherapies that overcome disadvantages of currently available treatments, including low response rates and drug resistance, and to bring perceivable benefits and affordable medicine to patients worldwide.

An analysis of the Company's net results for the year by principal activities is set out in the section headed "Management's Discussion and Analysis" in this report.

Report of the Directors

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, and an indication of likely future development in the business of the Group are provided in the sections headed "Chairman Statement", "Management Discussion and Analysis" and "Report of Directors" of this report. All such discussions form part of this report.

Relationship with Customers and Suppliers

Major Customers

During the Reporting Period, the Group had no commercialized product and therefore had no customers.

Major Suppliers

During the Reporting Period, our purchases mainly include contract services in support of our preclinical and clinical research, premise leases and equipment procurement, and application fees relating to the regulatory filings and clinical trial applications.

The Group's purchases from its five largest suppliers for the Reporting Period amounted to RMB7.4 million (2023: RMB11.3 million), accounted for 43.0% (2023: 49.9%) of the Group's total purchases. The Group's purchases from its largest supplier for the Reporting Period amounted to RMB2.4 million (2023: RMB2.7 million), accounted for 13.9% (2023: 12.0%) of its total purchases. During the Reporting Period, all of the Group's five largest suppliers were Independent Third Parties. None of the Directors, their respective close associates nor any shareholder who, to the knowledge of the Directors, owned more than 5% of the issued share capital of the Company as at the date of this report, had any interest in any of the Group's five largest suppliers during the Reporting Period.

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

Principal Risks and Uncertainties

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

Risks Relating to the Research and Development of Our Drug Candidates

- We may encounter difficulties in recruiting patients for clinical trials of late line treatment targeting late-stage cancers.
- Market opportunities for some of our products may be smaller than we anticipated considering the low incidence of the indications targeted by our products, as well as patients' preference in spending.
- Our business and financial prospects depend substantially on the success of our clinical stage and preclinical stage drug candidates. However, if we are unable to successfully complete their clinical development, obtain their regulatory approvals and achieve their commercialization, or if we experience significant delays in doing any of the foregoing, our business will be materially harmed.
- We may not be able to identify, discover or develop new drug candidates, or to identify additional therapeutic opportunities for our drug candidates, to expand or maintain our product pipeline.
- We invest substantial resources in research and development in order to develop, enhance or adapt to new technologies and methodologies, which may not be successful attempts.

Risks Relating to Manufacturing of Our Drug Candidates

- We have limited experience in manufacturing therapeutic biologic products on a large commercial scale, and our business could be materially and adversely affected if we encounter problems in manufacturing our future drug products.
- We may face damage to or disruption of our facilities, which could reduce or restrict our production capacity, or interrupt our development plans or commercialization efforts.
- If our manufacturing facilities fail to meet the necessary quality standards, it could harm our business and reputation, and our revenue and profitability could be adversely affected.
- If we are unable to meet the increasing demand for our drug candidates and future drug products by ensuring that we have adequate manufacturing capacity, or if we are unable to successfully manage our anticipated growth or to precisely anticipate market demand, our business and financial condition would be materially and adversely affected.

Principal Risks and Uncertainties (Continued)

Risks Relating to Commercialization of Our Drug Candidates

- The actual market size of our product candidates might be smaller than expected. Our drug candidates, once approved, may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community that would be necessary for our drug candidates' commercial success.

- If we are unable to build and manage sales network, or maintain sufficient sales and marketing capabilities, either by ourselves or through third parties, we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue.

- The illegal and/or counterfeit pharmaceutical products may reduce demand for our drug candidates, which could have a negative impact on our reputation and business.

- If safety, efficacy, or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidates or may experience supply shortages or be subjected to regulatory measures, and our business could be materially harmed.

- Guidelines, recommendations and studies published by various organizations could disfavor our drug candidates.

Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain adequate patent and other intellectual property protection for our drug candidates throughout the selected markets in the world, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize drug candidates and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our drug candidates or technologies would be materially and adversely affected.

- Even if we obtain patent protection for our drug candidates, the term of such protection, if any, is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially and adversely affected.

- We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful.

- If we are sued for infringing, misappropriating or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

- We may not be able to enjoy additional protection over drug-related patents in the U.S.

Principal Risks and Uncertainties (Continued)

Risks Relating to Our Financial Position and Need for Additional Capital

- We have a limited operating history and have incurred net losses since inception. We expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability.

- We had net cash outflow from operating activities during the Report Period and may continue to experience net operating cash outflow for the foreseeable future.

- Uncertainty over the fair value changes in our Shares and related valuation may materially affect our financial performance and results of operations.

- Our financial performance during the Report Period was affected by certain non-recurring items.

Risks Relating to Our Operations

- Any failure to comply with applicable regulations and industry standards or obtain or renew certain approvals, various licenses and permits could harm our reputation and our business, results of operations and prospects.

- The loss of any key members of our senior management team or our inability to attract and retain highly skilled scientists, clinical and sales personnel could adversely affect our business.

- As we have significantly increased the size and capabilities of our organization since our inception, we may experience difficulties in managing our growth.

- We may engage in acquisitions or strategic partnerships, which may increase our capital requirements, cause dilution for our shareholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

- We face risks related to natural disasters, health epidemics and outbreaks of contagious diseases, and other factors beyond our control.

Principal Risks and Uncertainties (Continued)

Risks Relating to Our Reliance on Third Parties

- We work with various third parties to develop our drug candidates, such as those who help us conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected timelines, we may not be able to obtain regulatory approval for, or commercialize, our drug candidates, and our business could be materially harmed.

- We depend on a stable and adequate supply of quality materials and research and development and manufacturing equipment from our suppliers, and price increases or interruptions of such supply could have an adverse impact on our business.

- We have entered into collaboration with our partner and may seek further collaboration opportunities and strategic alliances or enter into licensing arrangements in the future, but we may not realize the benefits of such collaboration, alliances or licensing arrangements.

- We are exposed to risks related to concentration of suppliers.

Risks Relating to Government Regulations

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing or future regulations and industry standards or any adverse actions by drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

- Changes in government regulations or in practices relating to the biopharmaceutical industry may affect our business.

- The regulatory approval processes relating to the marketing of our drug candidates are lengthy, time-consuming and can be changed. If we are unable to obtain without undue delay any regulatory approval for our drug candidates in our targeted markets, our business may be substantially harmed.

- We primarily conduct clinical trials for our drug candidates in China, while FDA or comparable foreign regulatory authorities may not accept data from such trials.

- We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security in data storage and data transfer, and we may be exposed to risks related to our management of the medical data of subjects enrolled in our clinical trials and other personal or sensitive information.

Report of the Directors

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For further details, please refer to the "Environmental, Social and Governance Report" of this report.

Compliance with the Relevant Laws and Regulations

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

Dividends

The Board does not recommend the distribution of a final dividend for the Reporting Period. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

Dividend Policy

No dividend was declared or paid by the Company or other entities comprising the Group during the Reporting Period. The Company has adopted a policy on payment of dividends, please refer to the section headed "Corporate Governance Report — Dividend Policy" of this report for details.

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set in the "Directors and Senior Management" on pages 25 to 30 of this report.

Property and Equipment

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

Share Capital

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements.

RSU Scheme

Our Company has adopted the RSU Scheme on August 2, 2023. The following is a summary of the principal terms of the RSU Scheme:

Purposes of the RSU Scheme

The purpose of the RSU Scheme is to recognize and motivate the contributions by the Participants (as defined below) and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of our Group.

Awards

An award of RSU(s) under the RSU Scheme (an "**Award**") gives a Participant (as defined below) a conditional right upon vesting of the Award to obtain either Share(s) or an equivalent value in cash with reference to the value of the Share(s) on or about the date of vesting, as determined by our Board at its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An Award may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares underlying the RSU(s) from the date that the Award is granted to the date that it vests.

RSU Scheme Limit

Unless otherwise duly approved by our Shareholders, the total number of Shares underlying the RSU Scheme shall not exceed 6,000,000 Shares, subject to any adjustment pursuant to any reorganization of capital structure from time to time. As of the date of this report, it accounts for about 3.83% of all issued Shares (i.e. 156,666,800 Shares). All Shares underlying the RSU Scheme have been granted to Directors and senior management of the Company, with details set out in the section headed "Vesting" below.

Participants in the RSU Scheme

Participants of the RSU Scheme include employees or officers of our Group, including executive, non-executive and independent non-executive directors of our Group and any prospective employees who receive a grant as an inducement to join our Group ("**Participants**").

Term of the RSU Scheme

Subject to any early termination as may be determined by our Board pursuant to the termination clause of the RSU Scheme, the RSU Scheme shall be valid and effective for a period of ten years commencing on the date of adoption, after which no Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the RSU Scheme may continue to be valid and exercisable in accordance with their terms of grant. The remaining life of the RSU Scheme is approximately eight years and three months as at the date of this report.

RSU Scheme (Continued)

Grant of RSU/Purchase Price

On and subject to the terms of the RSU Scheme and the terms and conditions that our Board imposes, our Board shall be entitled at any time during the term of the RSU Scheme to make an offer of the grant of an Award in accordance with the RSU Scheme (a "**Grant**") to any Participant, as our Board may at its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of RSUs to the attainment or performance of milestones by any member of our Group, any Participant who accepts a Grant in accordance with the RSU Scheme (a "**Grantee**") or any group of Grantees) as our Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

Each Participant does not need pay any consideration to accept the Awards granted to such Participant.

A Grant shall be made to a Participant by a letter and/or any such notice or document in such form as our Board may from time to time determine (the "**Notice of Grant**") and such Grant shall be subject to the terms as specified in the RSU Scheme and the Notice of Grant. By accepting the Award, the Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the RSU Scheme and the Notice of Grant. To the extent that the Award is not accepted within the period as specified by our Board at its sole discretion in the Notice of Grant, it shall be deemed to have been irrevocably declined and shall immediately lapse.

RSU Scheme (Continued)

Vesting

Subject to compliance with the requirements of the Listing Rules, our Board has the sole discretion to determine the vesting period and vesting conditions (if any) for any grant of Award(s) to any Grantee, which may also be adjusted and re-determined by our Board from time to time.

Details of movements of the RSUs granted under the RSU Scheme during the year ended December 31, 2024 are set out below:

Participants	Position	Date of grant	Vesting period	Exercise price	Number of Shares underlying the RSUs granted	Number of outstanding RSUs as at January 1, 2024	Number of RSUs granted during the Reporting Period	Number of RSUs vested during the Reporting Period	Number of RSUs cancelled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Weighted average closing price immediately before the dates of vesting during the Reporting Period (HK$)	Number of outstanding RSUs as at December 31, 2024
Ms. JIANG Xiaoling (姜曉玲)	Executive Director and vice president	May 6, 2023[1]	Note [2]	nil	500,000	500,000	–	–	–	–	/	500,000
Ms. XU Chunqin (徐春芹)	Chief financial officer and joint company secretary	May 6, 2023[1]	Note [2]	nil	500,000	500,000	–	–	–	–	/	500,000
Mr. JIANG Dongcheng (姜東成)	Vice president	May 6, 2023[1]	Note [2]	nil	5,000,000	5,000,000	–	–	–	–	/	5,000,000
Total						6,000,000	–	–	–	–		6,000,000

Notes:

(1) The above Grantees were granted share incentives on May 6, 2023, the terms of which (including the performance targets) were amended upon the formal adoption of the RSU Scheme on August 2, 2023.

(2) 20% of the RSUs granted shall vest on each of the first, second, third, fourth and fifth anniversary of the Listing Date, provided that certain conditions (including certain performance targets of our Group and certain performance ratings of the grantees) are met.

Bank Borrowing

Particulars of bank borrowing of the Group as of December 31, 2024 are set out in the section headed "Management Discussion and Analysis" in this report and note 25 to the consolidated financial statements.

Donations

The Group did not make any charitable or other donations during the Reporting Period (2023: nil).

Report of the Directors

Distributable Reserves

Details of movements in the reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements in this report.

As of December 31, 2024, the Company did not have any distributable reserves (2023: nil).

Equity Linked Agreements

Save for the RSU scheme in the section headed "RSU scheme" as set out in this report, no equity-linked agreements that will or may result in the Company issuing Shares nor require the Company to enter into an agreement that will or may result in the Company issuing Shares was entered into by the Company during the year or subsisted at the end of the year.

Pre-Emptive Rights

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

Financial Summary

A summary of the Company's results and assets and liabilities for the last three financial years are set out in the section headed "Financial Summary" of this report. This summary does not form part of the audited financial statements.

Directors' Service Contracts and Appointment Letters

Each of our executive Directors and non-executive Director has entered into a service contract with us under which the initial term of their service contracts shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other party not less than one month's prior notice in writing.

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial term of three years from the Listing Date until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other party not less than one month's prior notice in writing.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association. Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract or appointment letter with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Report of the Directors

Remuneration of Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements in this report.

Emolument Policy

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, as compensation for loss of office. Details of the remuneration of the Directors, senior management and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements in this report.

Controlling Shareholders' Interests in Contract of Significance

No Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as disclosed in this report, none of the Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

Director's Interest in Competing Business

Save as disclosed in this report, as at December 31, 2024, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares (including sale of Treasury Shares) from the Listing Date to December 31, 2024.

As of December 31, 2024, the Company did not hold any Treasury Shares.

Pledge of Shares by Controlling Shareholders

For the Reporting Period, there was no pledge of Shares by the Controlling Shareholders.

Financial Assistance and Guarantees to Affiliated Companies by the Company

For the Reporting Period, the Company had not provided any financial assistance and guarantees to any affiliated companies of the Company.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

The Shares of the Company were listed on the Stock Exchange on May 24, 2024.

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 of its 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:

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares as at December 31, 2024[1]	Approximate percentage of the Company's issued share capital[2]
Mr. ZHANG Feng (張峰)[3]	Interests in controlled corporations	100,000,000	63.83%
Ms. JIANG Xiaoling (姜曉玲)[4]	Beneficial owner	500,000	0.32%

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 156,666,800 Shares in issue as at December 31, 2024.

(3) Sunho Wisdom is owned as to 99.9% by Sunho Fortune (as a nominee which is wholly owned by a trust established by Mr. ZHANG Feng as the settlor and beneficiary) and 0.1% by Innovalue Investments (a wholly-owned subsidiary of Mr. ZHANG Feng), respectively. Further, Mr. ZHANG Feng is entitled to exercise approximately 73.19% voting rights in No5XJR through Innovalue Investments. Sunho Stellar is wholly owned by an independent professional trustee who shall exercise all voting rights attached to the Shares held by Sunho Stellar in accordance with the instructions of Mr. ZHANG Feng. As such, under the SFO, Mr. ZHANG Feng is deemed to be interested in the Shares held by Sunho Wisdom, No5XJR and Sunho Stellar.

(4) These Shares represent the entitlement of Ms. JIANG Xiaoling (姜曉玲) to receive up to 500,000 Shares pursuant to the RSUs granted to her under the RSU Scheme, subject to the terms and conditions of these RSUs.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations (Continued)

Save as disclosed above and to the best knowledge of the Directors, as of 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

So far as our Directors are aware, as at December 31, 2024, the following persons have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares as at December 31, 2024[1]	Approximate percentage of the Company's issued share capital[2]
Sunho Wisdom	Beneficial owner	88,000,000	56.17
Sunho Fortune[3]	Interests in controlled corporations	88,000,000	56.17
Trident Trust Company (HK) Limited[3]	Trustee	94,000,000	60.00
Mr. ZHANG Feng (張峰)[3]	Interests in controlled corporations	100,000,000	63.83
Huzhou Efung Ansheng Venture Capital Partnership (Limited Partnership) (湖州市倚鋒安盛創業投資合夥企業(有限合夥)) ("**Efung Ansheng**")	Beneficial owner	11,666,660	7.45
Shenzhen Efung Investment Management Enterprise (Limited Partnership) (深圳市倚鋒投資管理企業(有限合夥))[4]	Interests in controlled corporations	11,666,660	7.45
Shenzhen Efung Venture Capital Investment Co., Ltd. (深圳市倚鋒創業投資有限公司)[4]	Interests in controlled corporations	11,666,660	7.45
Shenzhen Efung Holdings Group Co., Ltd. (深圳市倚鋒控股集團有限公司) ("**Efung Holdings**")[4]	Interests in controlled corporations	17,500,000	11.17
Mr. ZHU Jinqiao (朱晉橋)[4]	Interests in controlled corporations	17,500,000	11.17
Guocheng (Zhejiang) Industrial Development Co., Ltd. (國成(浙江)實業發展有限公司)[4]	Interests in controlled corporations	17,500,000	11.17

Substantial Shareholders' Interests (Continued)

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 156,666,800 Shares in issue as at December 31, 2024.

(3) Sunho Wisdom is owned as to 99.9% by Sunho Fortune (as a nominee which is wholly owned by a trust established by Mr. ZHANG Feng as the settlor and beneficiary) and 0.1% by Innovalue Investments (a wholly-owned subsidiary of Mr. ZHANG Feng), respectively. As such, under the SFO, Sunho Fortune is deemed to be interested in the Shares held by Sunho Wisdom. Further, Mr. ZHANG Feng is entitled to exercise approximately 73.19% voting rights in No5XJR through Innovalue Investments. Sunho Stellar is wholly owned by an independent professional trustee who shall exercise all voting rights attached to the Shares held by Sunho Stellar in accordance with the instructions of Mr. ZHANG Feng. As such, under the SFO, Mr. ZHANG Feng is deemed to be interested in the Shares held by Sunho Wisdom, No5XJR and Sunho Stellar.

(4) Efung Ansheng is a limited partnership established in the PRC and is managed by its general partner, Shenzhen Efung Investment Management Enterprise (Limited Partnership) (深圳市倚鋒投資管理企業(有限合夥)), whose general partner is Shenzhen Efung Venture Capital Investment Co., Ltd. (深圳市倚鋒創業投資有限公司) which is in turn held as to approximately 60% by Efung Holdings and approximately 40% by Mr. ZHU Jinqiao (朱晉橋). As such, each of Shenzhen Efung Investment Management Enterprise (Limited Partnership) and Shenzhen Efung Venture Capital Investment Co., Ltd. is deemed to be interested in the Shares held by Efung Ansheng. Huzhou Efung Anhe Venture Capital Partnership (Limited Partnership) (湖州市倚鋒安禾創業投資合夥企業(有限合夥)) ("**Efung Anhe**") is a limited partnership established in the PRC and is managed by its general partner, Hainan Efung Junma Private Equity Fund Management Co., Ltd. (海南倚鋒駿馬私募基金管理有限公司), which is held as to approximately 70% by Efung Holdings. Efung Holdings is held as to approximately 54% by Mr. ZHU Jinqiao (朱晉橋). Besides, Guocheng (Zhejiang) Industrial Development Co., Ltd. (國成(浙江)實業發展有限公司) holds approximately 99.99% partnership interest in Efung Ansheng as its limited partner and approximately 49.99% partnership interest in Efung Anhe as its limited partner. As such, each of Efung Holdings, Mr. ZHU Jinqiao and Guocheng (Zhejiang) Industrial Development Co., Ltd. is deemed to be interested in the Shares held by Efung Ansheng and Efung Anhe.

Save as disclosed above and to the best knowledge of the Directors, as of December 31, 2024, no person (other than the Directors or chief executives of the Company) had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interest required to be kept by the Company under section 336 of the SFO.

Employee Incentive Scheme

Our Company has adopted the RSU Scheme on August 2, 2023. For further details, please refer to "D. RSU SCHEME" in Appendix IV to the Prospectus and "RSU Scheme" of this report.

Non-Competition Undertaking

Mr. Zhang has provided a non-competition undertaking (the "**Non-competition Undertaking**"), pursuant to which Mr. Zhang has unconditionally and irrevocably undertaken that he will not, and will use his best endeavors to procure his close associates (except any member of our Group) not to, whether directly or indirectly, as principal or agent either on his/their own account or in conjunction with or on behalf of any person, engage in any business that competes, or is likely to compete, directly or indirectly with our Group. Details of the Non-competition Undertaking are set out in the section headed "Relationship with Our Controlling Shareholders — Non-competition Undertaking" in the Prospectus.

Non-Competition Undertaking (Continued)

Mr. Zhang has made the confirmation of compliance with the Non-competition Undertaking by him, including that all relevant notices and pre-emptive offers have been given to us for all relevant business opportunities (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. During the period from the date of the Non-competition Agreement to December 31, 2024, the Company did not receive any Offer Notice or Selling Notice (as defined under the section headed "Relationship with our Controlling Shareholders" in the Prospectus) from Mr. Zhang. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of the non-competition undertakings in the Non-competition Undertaking given by Mr. Zhang.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Reporting Period.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements.

Tax Relief and Exemption

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

Material Litigation

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

Connected Transactions

During the Reporting Period, there was no connected transaction or other continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

Material Related Party Transactions

The related party transactions conducted by the Group were set out in note 30 to the consolidated financial statements. For the avoidance of doubt, such transactions disclosed therein were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

Report of the Directors

Corporate Governance

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and the Company has adopted the Corporate Governance code as its own code of corporate governance. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that the Company has complied with the applicable code provisions as set out in the Corporate Governance Code from the Listing Date to December 31, 2024. The Board believes that high corporate governance standards and a culture of openness are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value formulate its business strategies and policies, facilitate effective contribution, and enhance its transparency and accountability, thereby enabling Shareholders' evaluation of the such application. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

Pursuant to code provision C.5.1 of the Corporate Governance Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Pursuant to the terms of reference of the Audit Committee and the terms of reference of the Remuneration Committee, the Audit Committee shall meet at least twice a year and the Remuneration Committee shall meet at least once a year, respectively. As the Shares were only listed on May 24, 2024, the code provision C.5.1, the terms of reference of the Audit Committee and the terms of reference of the Remuneration Committee are not applicable to the Company throughout the year. Since the Listing Date to December 31, 2024, two Board meetings and one Audit Committee meeting was held and no Remuneration Committee meeting was held.

From January 1, 2025 onwards, the Board will meet regularly and schedule to meet at least four times every year at approximately quarterly intervals in accordance with the Corporate Governance Code, the Audit Committee will meet at least twice a year in accordance with the terms of reference of the Audit Committee and the Remuneration Committee will meet at least once a year in accordance with the terms of reference of the Remuneration Committee.

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 50 to 66 of this report.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, each of them has confirmed that he/she has complied with the Model Code from the Listing Date to December 31, 2024. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

Directors' Rights to Acquire Shares or Debentures

No arrangement has been made by the Company or any of its subsidiaries for any Director to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and no rights to any share capital or debt securities of the Company or any other body corporate were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised during or at the end of the year ended December 31, 2024.

Report of the Directors

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

Permitted Indemnity

The Company has purchased appropriate liability insurance for its Directors which provides proper protection for the Directors. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

Loan Agreements

During the Reporting Period, the Company had not breached any terms of its loan agreements for loans that are significant to its operations nor enter into loan agreements with covenants relating to specific performance of the Controlling Shareholders.

Advance to An Entity Provided by the Company

During the Reporting Period, the Company had not provided any advance to an entity pursuant to Rule 13.13 of the Listing Rules that is subject to disclosure requirements under Rule 13.20 of the Listing Rules.

Guarantee Regarding the Financial Performance of a Company or Business Acquired

During the Reporting Period, there was no guarantee regarding the financial performance of a company or business acquired which is subject to disclosure requirements under Rule 14.36B and/or Rule 14A.63 of the Listing Rules.

Annual General Meeting

The AGM of the Company will be held on Friday, June 27, 2025. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders (if requested) in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Tuesday, June 24, 2025 to Friday, June 27, 2025, both dates inclusive, during which period no transfer of Share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Share shall ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, June 23, 2025.

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period.

Report of the Directors

Auditor

Deloitte Touche Tohmatsu, Certified Public Accountants is appointed as the auditor for the financial statements as for the Reporting Period prepared in accordance with IFRS. Such Financial Statements prepared in accordance with IFRS as stated herein this report have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and a standard unqualified audit report has been issued.

Since the Listing Date and up to December 31, 2024, there was no change in the auditor of the Company.

Deloitte Touche Tohmatsu will retire at the forthcoming AGM and a resolution will be proposed at the forthcoming AGM to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

By order of the Board of
Sunho Biologics, Inc.
Mr. ZHANG Feng
Chairman and executive Director

March 31, 2025

Corporate Governance Report

The Board is pleased to present the Company's corporate governance report in this report.

Corporate Governance Culture and Value

The Company is committed to ensuring that the Group's affairs are conducted in accordance with high ethical standards. This reflects the Company's belief that, in the achievement of its long-term objectives, it is imperative to act ethically and transparently with emphasis accountability. By doing so, the Company believes that Shareholder value will be maximised in the long run and the Group's employees and business partners, as well as the communities in which the Group operates will all be benefited.

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 Group is committed to maintaining high standard of corporate governance entailing the following values to safeguard the interests of the Shareholders:

- to achieve sustainable returns to Shareholders;
- to safeguard the interests of those who deal with the Group;
- to ensure the overall business risk is understood and managed appropriately;
- to deliver high-quality products; and
- to maintain high standards of ethics.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and the Company has adopted the Corporate Governance Code as its own code of corporate governance. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

The Board is of the view that, the Company has complied with all applicable code provisions of the Corporate Governance Code since the Listing Date and up to December 31, 2024. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

Board of Directors

Composition of the Board

The Company is committed to the view that the Board should include a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As of the date of this report, the Board consists of three executive Directors, namely Mr. ZHANG Feng (張峰), Dr. YIN Liusong (殷劉松), Ms. JIANG Xiaoling (姜曉玲), one non-executive Director, namely Mr. FAN Rongkui (范融奎), and three independent non-executive Directors, namely Mr. CHAN Heung Wing Anthony (陳向榮), Ms. FENG Lan (馮嵐) and Mr. SHI Luwen (史錄文).

Board of Directors (Continued)

Composition of the Board (Continued)

Their biographical details are set out under "Directors and Senior Management" of this report. The overall management and supervision of the Group's operation and the function of formulating overall business strategies were vested in the Board. Save as disclosed in this annual report, there are no relationship (including financial, business, family or other material/relevant relationships) among members of the Board and in particular, between the chairman and the chief executive. All Directors have obtained the legal advice referred to under Rule 3.09D of the Listing Rules on July 22, 2023.

Independence of the Board

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors primarily pertain to supervising and providing independent opinions to our Board.

Since the Listing Date and up to December 31, 2024, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent at least one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive Directors of a listed issuer must represent at least one-third of the board. The Board believes that there is sufficient independence element in the Board to safeguard the interest of Shareholders.

The Company has multiple mechanisms in place to ensure independent views and input are available to the Board. When reviewing the structure, size and composition of the Board, the Nomination Committee puts emphasis on whether the composition of the Board is balanced and ensures that there is sufficient independence element on the Board. The independent non-executive Directors should be of sufficient and calibre and number for their views to carry weight. They also provide their independent views on matters such as connected transactions.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances require. The chairman of the Board at least annually holds a meeting with the independent non-executive Directors without the presence of other Directors.

The independent non-executive Directors possess extensive academic, professional and industry experience, and have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

Having considered the above, the Directors consider that for the year ended December 31, 2024, effective mechanisms had been put in place to ensure independent view and input are available to the Board, which allowed the Board to effectively exercise independent judgment to better safeguard Shareholder's interests.

Corporate Governance Report

Board of Directors (Continued)

Independence of the Board (Continued)

Confirmation of Independence of Independent Non-Executive Directors

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules and each of the independent non-executive Directors has provided an annual written confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Directors' Responsibilities

The Board takes the responsibility to oversee the major matters of the Group, including but not limited to the formulation and approval of policy matters, overall strategies, internal control and risk management systems of the Group. The Board makes decisions objectively in the interests of the Company. Liability insurance for Directors is maintained by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

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

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

Appointment and Re-election of Directors

Pursuant to the requirements of the Articles of Association, Directors (including non-executive Director and independent non-executive Directors) shall be elected at the general meeting with a term of three years. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to approval by Shareholders at the general meeting.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract or an appointment letter with the Company with a specific term. Such term is subject to his retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. The Company did not sign any relevant unexpired service contract which is not terminable within a year without payment of any compensation, other than statutory compensation.

Board of Directors (Continued)

Remuneration of Directors and Senior Management

The emoluments of the Directors and senior management of the Company are decided by the Board with reference to the recommendation given by the Remuneration Committee, in accordance with the remuneration policy which requires consideration be given to personnel's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

Details of the emoluments of the Directors and five highest paid individuals are set out in note 12 to the consolidated financial statements.

During the year ended December 31, 2024, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Directors' Training and Professional Development

Pursuant to the requirements of code provision C.1.4 of the Corporate Governance Code, all Directors will continue to participate in continuous professional development and provide the Company with records of the training they received to ensure that their contributions to the Board remain informed and relevant. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment. Subsequently, Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business. All Directors are encouraged to attend relevant training courses and the Company will arrange relevant trainings when necessary.

During the year ended December 31, 2024, the Company have provided the relevant materials including legal and regulatory updates to the Directors. Pursuant to the requirements of code provision C.1.4 of the Corporate Governance Code, all Directors, namely Mr. ZHANG Feng, Dr. YIN Liusong, Ms. JIANG Xiaoling, Mr. FAN Rongkui, Mr. CHAN Heung Wing Anthony, Ms. FENG Lan and Mr. SHI Luwen, have provided the Company with records of the training they received.

Board Diversity Policy

We have adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to our Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Board of Directors (Continued)

Board Diversity Policy (Continued)

The Board have set the measurable objectives for implementing the Board Diversity Policy which include having at least one female Board member. Since the Listing Date and up to December 31, 2024, the Board consisted of five male members and two female members, and both Nomination Committee and the Board consider that the Board is diverse in gender. The Board targets to maintain at least the current level of female representation and will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified, so as to achieve the objective of gender parity at Board level in the long run. Our Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, R&D, law, audits and project management. They obtained degrees in various majors including, biological sciences, biomedical sciences, biotechnology, accounting, chemistry, medicine and business administration. Furthermore, our Board has a relatively wide range of ages, ranging from 33 years old to 61 years old.

Having reviewed the membership and composition of the Board, the Company is of the view that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation.

The Nomination Committee has also reviewed the implementation of the Board Diversity Policy and considers it effective. The Board will continue to monitor the implementation and have continuous evaluation of the appropriateness and effectiveness of the Board Diversity Policy.

Nomination Policy

The primary functions of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors, making recommendations to our Board on matters relating to the appointment of Directors and reviewing the diversity of the Board.

The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from third-party agency firm, and proposals properly submitted by the Shareholders. The Board will consider the recommendations of the Nomination Committee and shall have the final decision on all matters relating to recommending candidates to stand for election at any general meeting or appointing the suitable candidate to act as the Director to fill the Board vacancies or as an addition to the Board members, subject to compliance with the Articles of Association. All appointments of Director should be confirmed by a letter of appointment and/or service contract setting out the key terms and conditions of the appointment of Directors.

Board of Directors (Continued)

Nomination Policy (Continued)

The Nomination Committee will assess, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to:

- reputation for character and integrity;
- accomplishment and experience in the relevant industries in which the Group's business is involved and other professional qualifications;
- skills that are complementary to those of the existing Board;
- commitment for responsibilities of the Board in respect of available time and relevant interest;
- diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- contribution that the candidate(s) can potentially bring to the Board;
- plans in place for the orderly succession of the Board; and
- (in relation to the candidate(s) for independent non-executive directorship), factors set out in Rules 3.10(2) and 3.13 of the Listing Rules.

The Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders as a whole. Since the Listing Date and up to December 31, 2024, there was no change in the composition of the Board.

Board Meetings

Pursuant to code provision C.5.1 of the Corporate Governance Code, regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Pursuant to the terms of reference of the Audit Committee and the terms of reference of the Remuneration Committee, the Audit Committee shall meet at least twice a year and the Remuneration Committee shall meet at least once a year, respectively. As the Shares were only listed on May 24, 2024, the code provision C.5.1, the terms of reference of the Audit Committee and the terms of reference of the Remuneration Committee are not applicable to the Company throughout the year. Since the Listing Date to December 31, 2024, two Board meetings and one Audit Committee meeting was held and no Remuneration Committee meeting was held.

From January 1, 2025 onwards, the Board will meet regularly and schedule to meet at least four times every year at approximately quarterly intervals in accordance with the Corporate Governance Code, the Audit Committee will meet at least twice a year in accordance with the terms of reference of the Audit Committee and the Remuneration Committee will meet at least once a year in accordance with the terms of reference of the Remuneration Committee. Notice of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regulator meeting in accordance with code provisions C.5.2 and C.5.3 of the Corporate Governance Code.

Board Meetings (Continued)

All Directors are provided with agenda and relevant information in advance before a Board meeting. They have access to the senior management and the joint company secretaries of the Company at all times and, upon reasonable request, may seek independent professional advice at the Company's expense.

Minutes of Board meetings are kept by the secretary to the Board with copies circulated to all Directors for information and records. Minutes of Board meetings and committee meetings record sufficient detail of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. The minutes of the Board meetings are open for inspection by Directors.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in such matter should be present at that Board meeting.

Attendance record of Directors ad committee members

The attendance record of each Director during their respective tenure of office at the Board and the relevant Board committee meeting(s) and the general meeting(s) of the Company held during the year ended December 31, 2024 is set out in the table below:

	Attendance/number of meetings					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual general meeting	Other general meetings
Mr. ZHANG Feng	2/2	N/A	1/1	0/0	1/1	0/0
Dr. YIN Liusong	2/2	N/A	N/A	N/A	1/1	0/0
Ms. JIANG Xiaoling	2/2	N/A	N/A	N/A	1/1	0/0
Mr. FAN Rongkui	2/2	N/A	N/A	N/A	1/1	0/0
Mr. CHAN Heung Wing Anthony	2/2	1/1	N/A	N/A	1/1	0/0
Ms. FENG Lan	2/2	1/1	1/1	0/0	1/1	0/0
Mr. SHI Luwen	2/2	1/1	1/1	0/0	1/1	0/0

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, each of them has confirmed that he/she has complied with the Model Code from the Listing Date to December 31, 2024.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses insider information in relation to those securities. No incident of non-compliance of the Model Code by the relevant employees who are likely to be in possession of inside information of the Company was aware by the Company.

Corporate Governance Report

Dividend Policy

The Company currently expects to retain all future earnings for use in operation and expansion of the Group's business. No dividend shall be declared or payable except out of profits and reserves lawfully available for distribution.

Any declaration and payment by our Company as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. Under the laws of the Cayman Islands, a Cayman Islands company may pay a dividend out of its profits or the credit standing to its share premium account, provided that immediately after the date on which the dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business. As advised by our legal adviser as to Cayman Islands laws, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account, provided that, immediately after payment of the dividend, we are able to pay our debts as they fall due in the ordinary course of business.

We may need dividends and other distributions on equity from our subsidiaries to satisfy our liquidity requirements, including those incorporated in the PRC. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their distributable profits. Distributable profits are our PRC subsidiaries' after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective after-tax profits each year to fund statutory reserve until the total amount set aside reaches 50% of their respective registered capital. Where the aggregate balance of statutory reserve is insufficient to cover loss in the previous financial year, the current financial year's profits shall first be used to cover the loss before any statutory reserve is set aside. Our PRC subsidiaries may also allocate a portion of their after-tax profits to discretional reserve where our PRC subsidiaries have set aside statutory reserve from their after-tax profits, subject to a resolution of the shareholders. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf, the instruments governing such debt may restrict their ability to pay dividends or make other payments to us.

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the Corporate Governance Code, which sets out the factors to be considered, procedures and methods of the payment of dividends. According to the policy, the Board has the discretion to declare and distribute dividends to Shareholders, subject to the Articles of Association and all applicable laws and regulations, taking into consideration, among other things, the successful commercialization of the Company's products, earnings, capital requirements, overall financial conditions, contractual restrictions and Shareholders' interest. The policy sets out the factors in consideration, procedures and methods of the payment of dividends. The declaration of final dividend for a financial year shall be approved by the Shareholders at the annual general meeting of the Company and must not exceed the amount recommended by the Board.

Corporate Governance Report

Corporate Governance Functions

In accordance with code provision A.2.1 of the Corporate Governance Code, the Board is responsible for performing the corporate governance duties including:

- to develop and review the Group's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Corporate Governance Code and disclosure in the Corporate Governance Report.

The Board has performed the above duties for the year ended December 31, 2024.

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 Group's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties pursuant to paragraph C.4 of the Corporate Governance Code.

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 paragraphs C.4 and D.3 of the Corporate Governance Code. The Audit Committee consists of Mr. CHAN Heung Wing Anthony, Ms. FENG Lan and Mr. SHI Luwen, all of whom are independent non-executive Directors. Mr. CHAN Heung Wing Anthony serves as the chairman and holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary function of the Audit Committee is to assist the Board in providing an independent view of the Group's financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board which includes, (i) proposing to the Board the appointment and replacement of external audit firms; (ii) supervising the implementation of the Group's internal audit system; (iii) liaising between the Group's internal audit department and external auditors; (iv) reviewing the financial information and related disclosures of the Group; and (v) other duties conferred by the Board.

Board Committees (Continued)

Audit Committee (Continued)

Since the Listing Date and up to December 31, 2024, one Audit Committee meeting was held. The attendance record of members of the Audit Committee is set out under "Corporate Governance Report — Board meetings — Attendance record of Directors ad committee members" of this report. The following is a summary of work performed by the Audit Committee since the Listing Date and up to December 31, 2024:

- reviewed the interim results and interim report of the Group, the Group's financial and accounting policies and practices and the scope of audit and appointment of external auditors;
- reviewed the risk management and internal control and compliance systems of the Group and the effectiveness of internal audit function and discussed with the management and internal audit on their findings; and
- discussed matters with respect to the accounting policies and practices adopted by the Group.

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 the Corporate Governance Code. The Remuneration Committee comprises one executive Director, Mr. ZHANG Feng, and two independent non-executive Directors, namely Ms. FENG Lan and Mr. SHI Luwen, with Ms. FENG Lan being the chairlady.

The primary function of the Remuneration Committee is to develop remuneration policies of the Directors, evaluate the performance, make recommendations on the remuneration packages of the Directors and senior management which includes, among other things: (i) establishing, reviewing and making recommendations to the Board on the policy and structure concerning remuneration of the Directors and senior management; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) making recommendations to the Board on the terms of the specific remuneration package of each Director and members of senior management; (iv) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and (v) other duties conferred by the Board.

Since the Listing Date and up to December 31, 2024, no Remuneration Committee meeting was held. The attendance record of members of the Remuneration Committee is set out under "Corporate Governance Report — Board meetings — Attendance record of Directors ad committee members" of this report. The following is a summary of work performed by the Remuneration Committee since the Listing Date and up to December 31, 2024:

- made recommendations to the Board on the remuneration package of the Directors and senior management of the Company;
- reviewed and made recommendations to the Board on the procedure for developing the remuneration policy; and
- reviewed the performance of duties of Directors and senior management of the Company.

Board Committees (Continued)

Remuneration Committee (Continued)

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (inclusive of salaries, bonuses, benefits and share-based payments) of members of the senior management (other than Directors) by band for the year ended December 31, 2024 is set out below:

Remuneration bands	Number of members of senior management
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	2
HK$26,000,001 to HK$26,500,000	1

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27 of the Listing Rules and the Corporate Governance Code. The Nomination Committee comprises one executive Director, Mr. ZHANG Feng, who is also the chairman, and two independent non-executive Directors, namely Ms. FENG Lan and Mr. SHI Luwen.

The primary function of the Nomination Committee is to make recommendations to the Board in relation to the appointment and removal of Directors which includes, among other things: (i) reviewing the structure, size and composition and diversity of the Board and making recommendations on any proposed changes to the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors; and (v) other duties conferred by the Board.

Since the Listing Date and up to December 31, 2024, one Nomination Committee meeting was held. The attendance record of members of the Nomination Committee is set out under "Corporate Governance Report — Board meetings — Attendance record of Directors ad committee members" of this report. The following is a summary of work performed by the Nomination Committee since the Listing Date and up to December 31, 2024:

- reviewed the structure, size and composition of the Board;
- reviewed and assessed the Board Diversity Policy; and
- assessed the independence of the independent non-executive Directors.

Corporate Governance Report

Financial Reporting System, Risk Management and Internal Control System

Financial Reporting System

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2024, which give a true and fair view of the affairs of the Company and the Group and of the Group's financial performance and cash flows. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this report.

Risk Management and Internal Control

The Company is devoted to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that are considered to be appropriate for the Group's business operations, and the Company is dedicated to continuously reviewing and improving these systems in terms of their effectiveness. The Board also acknowledges that it is the Board's responsibility to ensure that the Group maintains sound and effective internal controls to safeguard the assets of the Group at all times.

The Company has adopted and implemented comprehensive internal control and risk management policies in various aspects of the Group's business operations. The senior management, and ultimately the Directors, supervise the implementation of the internal control and risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Group and reported to the Directors. In accordance with code provisions D.2.1 and D.2.4 of the Corporate Governance Code, the Board, supported by the Audit Committee, confirms its responsibility for the Company's risk management and internal control systems and will oversee and review their effectiveness on an annual basis. The Company considers that the Directors and the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems 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.

The Group has adopted and will continue to adopt, among other things, the following internal control and risk management measures:

Intellectual Property Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, as well as the protection of our intellectual property rights.

In accordance with these procedures, our legal counsel performs the basic function of reviewing and updating the form of contracts we enter into with our customers and suppliers. Our legal counsel as well as business operation teams examine the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Financial Reporting System, Risk Management and Internal Control System (Continued)

Risk Management and Internal Control (Continued)

Intellectual Property Risk Management (Continued)

Our regulatory affairs team reviews our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our regulatory affairs team is responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities.

Financial reporting risk management

The Group has in place a set of accounting policies in connection with the Group's financial reporting risk management, such as financial reporting management policies and budget management policies. The Group has various procedures in place to implement accounting policies and the finance department reviews the management accounts based on such procedures.

Information system risk management and data protection

Sufficient maintenance, storage and protection of proprietary information and data (including clinical trial data) is critical to the success of the Group. The Group has implemented relevant internal procedures and controls to ensure the protection and security of such information and data. The Group provides relevant trainings to its employees and discuss any issues or necessary updates from time to time.

Anti-corruption policy

The Group strictly prohibits bribery or other improper payments in any of its business operations. Anti-corruption and anti-bribery compliance trainings are provided to the Directors and senior management and other key employees to enhance their knowledge and compliance of applicable laws and regulations. The employees of the Group, especially those involved in procurement and other business functions which are more susceptible to bribery and corruptions, are required to abide by the Group's compliance requirements, and make necessary representations and warranties to the Company. The Group has also established a system of supervision that allows complaints and reports to be submitted to management regarding non-compliant behavior of employees.

Whistleblowing policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system. The whistleblowing policy will be reviewed by the Audit Committee from time to time, any suspected cases will be reported to the Audit Committee.

Financial Reporting System, Risk Management and Internal Control System (Continued)

Risk Management and Internal Control (Continued)

Internal control system

To monitor the on-going implementation of the internal control and risk management policies and corporate governance measures, the Company has adopted, among other things, the internal control measures:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related risk management, protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training about these measures and procedures to our employees as part of our employee training program. We monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, also periodically review our compliance status with all relevant laws and regulations.

- We have established an audit committee which, among others, (i) makes recommendations to our Board of Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and internal control system of our Company.

- We have engaged Somerley Capital as our compliance adviser to provide advice to our Directors and management team regarding matters relating to the Listing Rules. Our compliance adviser also provides support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We provide various and continuing trainings to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations from time to time with a view to proactively identify any concerns and issues relating to any potential non-compliance.

- We maintain strict anti-corruption and anti-bribery policies and we believe we therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry.

The Board, as supported by the Audit Committee as well as the management, conducted an annual review of the risk management and internal control systems since the Listing Date and up to the date of this report, and considered that such systems are effective and adequate.

Handling of Inside Information

The Company has adopted policies in respect of the confidentiality management of the Group's information and the disclosure of inside information, sensitive information or confidential information in accordance with the SFO and the Listing Rules to ensure confidentiality when handling inside information and the publication of relevant disclosures to the public as soon as practicable.

Handling of Inside Information (Continued)

Under this policy, the Company disseminates information to specified persons on a need-to-know basis, and requires all employees of the Group who have access to the inside information to maintain strict confidentiality of the inside information until it is announced. The policy also sets out the procedures for identifying, handling and monitoring inside information or sensitive or confidential information, the scope of inside information and the procedures and precautionary measures for reporting or leakage of inside information of the Group.

Auditors' Remuneration

The Company appointed Messrs. Deloitte Touche Tohmatsu as the external auditor for the year ended December 31, 2024. A statement by Deloitte Touche Tohmatsu about its reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 93 to 97 of this report.

The remunerations payable to Deloitte Touche Tohmatsu in respect of its audit services and non-audit services for the year ended December 31, 2024 are as follows:

Service	Fees paid/payable (RMB'000)
Audit services	2,595
Non-audit services	5
Total	**2,600**

The non-audit services represent services rendered in connection with certain agreed-upon procedures.

The above remuneration excluded the service fees payable to Deloitte Touche Tohmatsu as the reporting accountant of the Company in connection with the global offering.

The Audit Committee was satisfied that the non-audit services provided by Deloitte Touche Tohmatsu during the year ended December 31, 2024 did not affect their independence as external auditors.

Joint Company Secretaries

The Company appointed Ms. XU Chunqin and Ms. WONG Hoi Ting as the joint company secretaries of the Company. Ms. WONG currently serves as a manager in the listing services department of TMF Hong Kong Limited (a company secretarial service provider) and her primary contact at the Company is Ms. XU Chunqin.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries undertook professional training for not less than 15 hours for the period from the date of Listing up to December 31, 2024. The biographies of Ms. XU Chunqin and Ms. WONG Hoi Ting are set out under "Directors and Senior Management" in this report.

All Directors have access to the advice and service of the joint company secretaries on corporate governance and board practices related matters.

Corporate Governance Report

Workforce Diversity

As of December 31, 2024, the Group had a relatively balanced workforce overall in terms of gender distribution. The gender ratio in the workforce (including senior management) of the Group as at December 31, 2024 was 66.9:33.1 (female:male). The Group supports diversity across a variety of perspectives, the key areas of which are similar to those for the Board diversity. The Company considers that the gender diversity of the Group is balanced, and the Group will continue to maintain the gender diversity in workforce.

Shareholders' Rights

Rights to Convene Extraordinary General Meeting

To safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as the Directors shall appoint. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 17 of the Articles of Association, the Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period.

Right to Put Forward Proposals at a General Meeting

Shareholders who individually or collectively hold no less than 10% of the Company's Shares shall be entitled to submit proposals to the Company for consideration at a general meeting. Such proposal shall be submitted in writing to the convenor of the general meeting 10 days before the date of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receipt of the proposal, announcing the content of the proposal.

Right to Put Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's headquarters and principal place of business in the PRC at No. 5 Xingjian Road Nanjing Economic and Technological, Development Zone, PRC. Shareholders may also make enquiries with the Board at the general meetings of the Company or contact the Company's investor relations team through email at harvest@sunho-bio.com.

Corporate Governance Report

Effective Communications with Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The Shareholders' communication policy is reviewed by the Board on a regular basis. By reviewing the views of Shareholders that have been received as well as assessing how the opinions of Shareholders have been considered in reaching important strategic decisions during year ended December 31, 2024, the Board is satisfied that the current Shareholders' communication policy is adequate and effective.

The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, which has established effective channels for the Company to communicate with Shareholders. The Company publishes its announcements, financial information, and other relevant information on its website (www.sunho-bio.com.cn) and the website of Stock Exchange (www.hkexnews.hk), as a channel to facilitate effective communication.

The Board welcomes Shareholders' views and encourages them to attend general meetings to convey any concerns they might have to the Board or the management. At the general meetings, all Shareholders attending the meeting may make enquiries to the Directors and other management in respect of matters relevant to the resolutions. The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the Shareholders and annual reports for Shareholders to express their views or make enquiries.

Investor Relations

The Company considers it crucial to provide investors with accurate information in a timely manner and maintains communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and to improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels, including regular reports, announcements and company website.

The Articles of Association

The current Articles of Association took effect from the Listing and is available on the respective websites of the Stock Exchange and the Company. There has been no change in the Articles of Association since the Listing Date and up to December 31, 2024.

Environmental, Social and Governance Report

ABOUT THE GROUP

Sunho Biologics, Inc. (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**we**") are mainly committed to the development of regulate immune microenvironment by directly modulating both the innate and adaptive immune systems. Our mission is to bring perceivable benefits and affordable medicine to patients both in China and globally. Our core business model involves internally discovering, developing and commercializing immunocytokines and other immunotherapies that regulate immune microenvironment by directly modulating both the innate and adaptive immune systems to address the market needs in the fields of oncology and autoimmune diseases.

In order to fully execute our global strategy, the Group actively seeks collaboration opportunities with international leading pharmaceutical companies to advance clinical studies of our products abroad through out-licensing arrangements. We also expanded our international registration team to secure our global clinical development and registration plan, and strengthened our featured products.

Over the past year, we have achieved inspiring accomplishments in innovative research and development ("**R&D**") as well as industry influence. We were honored with the title of "China's Top 100 Future Unicorns" by CYZONE, signifying that our innovation capability and growth potential have gained widespread recognition in the industry. Meanwhile, our inclusion in the "Top 50 Chinese Enterprises — Strength in Biopharm R&D" list by Yaozhi Web further validates our leading position and strength in the biopharmaceutical field. Such recognition has not only affirmed our past efforts but also inspired us to continue striving towards becoming a globally leading biopharmaceutical enterprise.

ABOUT THE REPORT

This Environmental, Social and Governance Report (the "**ESG Report**") outlines the practices, plans and performance of the Group in Environmental, Social and Governance ("**ESG**"), and manifests its commitment to sustainable development.

Reporting Period

Unless otherwise stated, the ESG Report covers the period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**" or "**2024**"). Unless otherwise stated, the scope of this Report is consistent with the scope of the Group's annual report for the Reporting Period.

Reporting Scope

The reporting scope is determined based on the importance of business segments which are directly operated and controlled by the Group. Unless otherwise specified, the disclosure scope of this Report covers the offices and laboratories of Sunho Biologics, Inc. within the territory of China. We may expand the scope of disclosures in the future as the data collection system becomes more mature and the sustainable development efforts deepen.

Environmental, Social and Governance Report

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). For the Group's corporate governance structure and other related information, please refer to the Corporate Governance Report contained in the annual report.

In preparing the ESG Report, the Group has adopted the reporting principles in the aforesaid ESG Reporting Guide, and complied with the "comply or explain" provisions set out in the ESG Reporting Guide. This Report is also in line with the reporting principles of "materiality", "quantitative", "balance" and "consistency" .

- *Materiality:* During the Reporting Period, the Group has conducted a materiality assessment to identify material ESG issues and has chosen the identified material ESG issues as the focus in the preparation of the ESG Report. The materiality of the ESG issues has been reviewed and confirmed by the Board of Directors (the "**Board**"). For more details, please refer to the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT".

- *Quantitative:* The criteria and methodologies used for calculating key performance indicators ("**KPIs**") of the ESG Report as well as applicable assumptions have been supplemented in the notes.

- *Consistency:* When compiling ESG information, the Group adopts a consistent approach to ensure, where appropriate, that the information and data can be meaningfully compared in the future.

- *Balance:* The ESG Report presents the Group's performance for 2024 in an unbiased manner to avoid selective reporting, omissions or biased presentation formats that may improperly influence readers' decisions or judgments.

Environmental, Social and Governance Report

ESG Governance Structure

We have always integrated sustainability into our corporate strategy while pursuing scientific breakthroughs. The Board leads the overall formulation and implementation of ESG policies, ensuring that environmental, social, and governance factors are closely integrated with business decision-making. We have established a sound risk management system and, through continuous communication with stakeholders, identified key ESG issues to drive responsible innovation. In response to the national carbon neutrality goals, we have set clear environmental targets and established a dedicated team to implement emission reduction measures, committed to achieving green development.

In order to achieve its sustainable development, the Group has established an ESG governance structure to ensure that its ESG governance aligns with its business strategy for sustainable development, and integrates ESG-related management into its business operations and decision-making processes.

The Board assumes full responsibility for the Group's ESG matters and related reporting, and conducts collective discussions on ESG-related issues at least annually. Board members possess the appropriate skills and knowledge required to oversee the Group's ESG matters. They are responsible for formulating the ESG strategy, developing and reviewing the Group's ESG policies and practices; overseeing the assessment and management of ESG materiality; reviewing and monitoring the progress of ESG objectives and indicators; ensuring the compliance of disclosures within the ESG report; identifying, evaluating, and assessing ESG-related risks and opportunities; and ensuring the appropriateness and effectiveness of ESG management and internal controls.

The Group has a dedicated environmental, health and safety ("**EHS**") team under the supervision of our senior management responsible for overseeing our compliance with EHS related regulations and policies, and monitoring our implementation of related internal measures, and assist the Board in overseeing ESG matters. The Working Group has relevant qualifications and experience in various aspects of ESG and its key responsibilities include: (i) adopting appropriate safety measures at our facilities and implementing best practice procedures; (ii) conducting regular safety awareness training to our employees; (iii) inspecting our facilities regularly to identify and eliminate any potential safety hazards; (iv) adopting appropriate procedures regarding the disposal of any hazardous waste such as Waste Management Procedure, which aims to effectively manage the waste generated during our normal course of business, standardize the classification of the waste into solid waste and hazardous waste according to the relevant laws and regulations and dispose them accordingly to reduce environmental pollution; (v) maintaining a system of recording and handling accidents in our facilities; and (vi) cooperating with regulatory authorities for the regular environmental compliance monitoring. Our EHS team may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategies, targets and internal controls at least once a year. Necessary improvement will then be implemented to mitigate the risks.

Environmental, Social and Governance Report

Stakeholder Engagement

As a responsible enterprise, the Group places great importance on its relationships with stakeholders and their feedbacks on our business and ESG issues. We expect to actively balance the interests of all parties and promote the sustainable development of the enterprise. To have a comprehensive understanding of and respond to and address the core concerns from different stakeholders, we have been always maintaining regular and close communication with key stakeholders, including but not limited to shareholders and investors, customers, employees, suppliers, governments and regulatory authorities, as well as the community, non-governmental organisations ("**NGOs**") as well as the media.

We bring stakeholder's expectations into our operation and ESG strategies through utilising the diverse cooperation approaches and communication channels as shown in the table below.

Stakeholders	Communication Channels	Expectations
Governments and regulatory authorities	• Policy consultation • Incident reporting • Information disclosure • Official correspondence	• Clinical trial safety • Product quality and safety • Compliance governance • Anti-corruption • Resource management • Addressing climate change • Compliance with relevant laws and regulations
Investors	• General meetings • Results announcement • Interim and annual reports • Announcements of significant events • Online and offline communications • Company website	• Clinical trial safety • Product quality and safety • Compliance operation • Timely release of the latest corporate information • Enhancing corporate governance and risk control
Employees	• Employee performance appraisal and feedback • Employee internal communication meetings • Emails, corporate internal announcements • Employee activities • Sunho Biologics's WeChat official account	• Basic rights of employees • Occupational health and safety • Talent attraction and retention • Employee diversity • Product quality and safety • R&D innovation

Environmental, Social and Governance Report

Stakeholders	Communication Channels	Expectations
Customers	• Information disclosure • Daily business communication	• Clinical trial safety • Product quality and safety • R&D innovation • Data security and customer privacy protection
Suppliers	• Supplier inspection • Regular communication meetings with suppliers	• R&D innovation • Intellectual property protection • Business ethics • Driving industry development
Media	• Press conferences • Social media • Industry seminar	• Driving industry development • Business ethics • Clinical trial safety
NGOs and communities	• Community engagement and communication • Identification of community demands	• Community investment

Materiality Assessment

In order to better understand the opinions and expectations of stakeholders on the Group's ESG performance, we have adopted a systematic approach to conduct the annual materiality assessment. With reference to the Group's business development strategies and industry practices, we have identified and analysed material ESG issues that are closely related to the Group to determine priorities.

The Group has prepared a questionnaire based on a list and invited relevant stakeholders to rate potential material issues based on importance of the ESG issues and its impact on ESG matters. We analyze the results of the survey and prepare a materiality assessment. The materiality assessment has been reviewed and approved by the Board and the working group, and is disclosed in the ESG report. The results of the materiality assessment for the Reporting Period are as follows:

Environmental, Social and Governance Report

Material ESG Issues

Importance of the issues	#	Material ESG Issues
High importance	1	Clinical safety and communication
	2	Quality and safety of products and services
	3	Intellectual property protection
	4	Compliance governance
	5	Business ethics
	6	R&D innovation
	7	Anti-corruption
	8	Occupational health and safety
	9	Employment practices and labour standards
	10	Data security and customer privacy protection
	11	Supply chain management
	12	Talent training and career development
Medium importance	13	Resource management (including energy consumption, water consumption, etc.)
	14	Emissions management (including greenhouse gas ("**GHG**") emissions, hazardous and non-hazardous waste management)
	15	Diversity, equity and inclusion
	16	Safeguard of animal welfare
General importance	17	Addressing climate change
	18	Community investment and relationships

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You could provide valuable opinions on the ESG Report or the Group's performance in sustainable development through the following methods:

Postal address: No. 5 Xingjian Road, Nanjing Economic and Technological Development Zone, PRC

Environmental, Social and Governance Report

COMPLIANCE GOVERNANCE

The Group strictly abides by the laws and regulations in countries and regions where it operates and has established a sound corporate governance system to promote compliance development in internal key areas and continuously enhance compliance management.

ENVIRONMENTAL ASPECTS

Environmental Targets

In the face of the imminent environmental threat posed by climate change, there is a growing call for concerted and urgent action from all sectors of society. The Group attaches great importance to environmental management and is committed to providing adequate human, material, technical and financial support for environmental protection efforts to fulfill its due social responsibilities. To ensure effective implementation of sustainable business models, the Group has formulated a number of environmental targets in accordance with its development direction and strategic policies, and closely monitors and regularly reviews the progress of the targets. We are committed to achieving these targets through a variety of environmental initiatives. Relevant data and year-on-year comparisons are detailed in the sections below.

The table below summarizes the sustainability targets set by the Group and the progress of achieving them:

Aspects	Targets	Progress
GHG Emissions	Based on 2024, total greenhouse gas emissions intensity will be reduced by 5% by 2026.	In Progress.
Waste Management	Based on 2024, non-hazard waste intensity will be reduced by 5% by 2026.	In Progress.
Energy Management	Based on 2024, total energy consumption intensity will be reduced by 5% by 2026.	In Progress.
Water Resource Management	Based on 2024, total water consumption intensity will be reduced by 5% by 2026.	In Progress.

Emissions Management

Adhering to the strategy of sustainable development in its operations, the Group places emphasis on environmental management during its operations to fulfill its social responsibilities. The Group recognizes the impact of its operations on the environment, especially GHG emissions, waste and sewage discharge. The Group strictly complies with local laws and regulations, adheres to emission limit standards, and strengthens waste management to minimize possible negative impacts during the R&D and operation processes.

Environmental, Social and Governance Report

The Group has established internal management systems including EHS manuals, policies and standard operating procedures to strictly regulate the emission and treatment of emissions, and is also committed to reducing various emissions generated during operational production. We strictly comply with the Good Manufacturing Practices ("**GMP**") compliance requirements and relevant pollutant emissions standards and pollutants management policies during our production process to reduce pollutant emissions of exhaust gas, sewage and hazardous solid waste. Meanwhile, hazardous substances are duly stored in designated warehouses and contracts are signed with qualified third parties for the disposal of hazardous materials and waste. In addition, we conduct periodic environmental evaluations on exhaust gas detection and emissions, hazardous waste disposals, noise emissions, and waste water detection and discharge to make sure all operations are in compliance with the applicable laws and regulations.

The Group regularly tracks the latest national and regional laws and regulations relating to environmental protection and strengthens the implementation of environmental protection measures to comply with relevant laws and regulations of local governments and implement environmental policies. The Group strictly abides by laws and regulations including, but not limited to, the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), the Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》) and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》). During the Reporting Period, the Group did not have any material non-compliance with relevant local environmental laws and regulations due to emissions of exhaust gases and greenhouse gases, discharges into water and land, and emissions of hazardous and non-hazardous wastes.

Exhaust Gas Emissions

During the Reporting Period, no significant exhaust gas emissions were generated due to the nature of the Group's business as well as the fact that it is still at an early stage of laboratory operations and is not equipped with any transportation vehicles or production equipment. In order to reduce the impact on the environment, the Group has taken proactive measures to reduce exhaust gas emissions, including the adoption of exhaust gas treatment systems and the installation of active carbon filters to treat exhaust gas generated during the R&D and operation processes.

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GHG Emissions

The GHG emissions of the Group are mainly generated from the fuel consumption by backup generators (Scope 1), electricity consumption (Scope 2), paper consumption (Scope 3). The Group's GHG emissions result principally from Scope 2 energy indirect GHG emission related to energy use, specifically power consumption to support our operations.

We actively respond to the national goal of achieving carbon peaking and carbon neutrality. For the above emission sources, we have actively adopted the following measures to reduce GHG emissions:

- Provide trainings and educate our employees on the concept of energy efficiency;
- Post water-saving or power-saving signs in eye-catching areas to cultivate our employees' awareness of environment protection;
- Promote paperless environment, encourage the usage of electronic copies instead of hard copies and the use of double-sided printing, and use single-sided printed paper when there is no confidential information on it;
- Require employee to turn off all electrical appliances when they are not in use; and
- Implement policies regarding waste management.

Meanwhile, the Group aims to reduce our GHG emissions and contribute to the transition to a low-carbon economy. We adhere to the "3R" approach to environmental conservation, i.e. reduction of waste, reuse of resources and recycling of used materials, to the extent possible in our business operation.

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The Group's performance of GHG emissions in 2024 is summarized as follows:

Indicator [1]	Unit	2024
Direct GHG emissions (Scope 1)	tonnes of CO2 equivalent ("**tCO_2e**")	**0.26**
• Diesel consumption	tCO_2e	**0.26**
Energy indirect GHG emissions (Scope 2)	tCO_2e	**1,860.64**
• Purchased electricity	tCO_2e	**1,860.64**
Other indirect GHG emissions (Scope 3)	tCO_2e	**6.06**
• Wastepaper disposed at landfill sites	tCO_2e	**6.06**
Total GHG emissions (Scope 1, 2 and 3)	**tCO_2e**	**1,866.96**
Total GHG emissions intensity[2]	**tCO_2e/thousand R&D expenses**	**0.03**

Notes:

1. The GHG emissions data is presented in terms of carbon dioxide equivalent and is calculated with reference to the following information, including but not limited to: the "Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, the "2023 National Power Carbon Footprint Factor" jointly issued by the Ministry of Ecology and Environment of the People's Republic of China, the National Bureau of Statistics and the National Energy Administration, the Global Warning Potential Values from the "Sixth Assessment Report" issued by the special committee which has been established by governments for climate change and the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. During the Reporting Period, the Group's R&D expenses amounted to RMB71,117.4 thousand.

Sewage Discharge

The Group's sewage discharge mainly comes from the wastewater generated during the production process and domestic sewage. The wastewater produced during our production and operations includes filtered fermentation broth and purified buffer solution. After collecting the wastewater generated during our production and operations, the Group can discharge it safely into the sewage treatment plant for processing as it contains no toxic substances. The Group continuously improves its wastewater treatment methods and has made sewage treatment a routine part of our production process.

The Group's performance of sewage discharge is summarized as follows:

Sewage discharge	Unit	2024
Total sewage discharge	m^3	**9,726**
Sewage discharge intensity	m^3/thousand R&D expenses	**0.13**

Environmental, Social and Governance Report

Hazardous Waste Management

The hazardous waste generated by the Group mainly includes the use of hazardous and flammable materials, including chemicals and biological materials involved in its operations. We have taken a number of measures to address the emission of hazardous waste, including requiring proper handling and disposal of waste; establishing dedicated storage facilities for hazardous waste in accordance with relevant standards, and developing a standardized management system; and entrusting qualified third-party vendors to dispose of hazardous waste and waste materials.

The Group has complied with numerous environmental, health, and safety laws and regulations in China, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. These systems ensure strict supervision of the generation, collection, classification, labeling, recording, storage, transportation and disposal of hazardous wastes.

In addition, the Group has a safety administrator who monitors and manages our hazardous waste storage and disposal. During the Reporting Period, a total of 0.6 tons hazardous waste was stored in our warehouse. Once a certain amount of waste accumulates, we will transfer the hazardous waste to a waste disposal company.

Non-hazardous Waste Management

The non-hazardous waste generated by the Group mainly includes general office waste and waste produced during the production process. To actively reduce the generation of general waste, the Group has implemented several waste reduction measures. These measures focus on promoting a paperless office environment, encouraging double-sided printing, and promoting the recycling of office supplies.

The Group's non-hazardous waste mainly originates from disposable cell culture bags, deep filtration membrane bags and used solid waste generated during the production process. The solid waste generated during the production and operations is disposed of by qualified third-party waste recycling vendors. During the Reporting Period, as the Group was still in the early stages of laboratory operations, no waste was generated during the production process.

The hazardous waste generated by the Group is summarized as follows:

Waste Categories	Unit	2024
Total non-hazardous waste	tonnes	**14.26**
Total non-hazardous waste intensity	tonnes/thousands of R&D expenses	**0.0002**

Note:

3. Non-hazardous waste includes, but is not limited to, aluminum caps, waste packaging materials and paper waste.

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Resource Management

Protecting the environment and conserving resources are important responsibilities of large enterprises. The Group aims to actively promote the effective use of resources and constantly monitor the potential impact of its business operations on the environment. The main resources consumed by the Group in its business operations include energy, water resources, and office paper. We will consider historical consumption or emission levels and take a comprehensive and prudent approach to our future business expansion to balance business growth and environmental protection, thereby achieving sustainable development. The Group also seeks to fully and efficiently utilize energy by introducing new environmentally friendly equipment while gradually phasing out high-energy-consuming facilities, updating energy-saving and environmentally friendly technologies, and improving energy recycling.

Energy Management

The Group continues to strengthen its energy management and continuously improves the construction of its energy management system. Our primary energy consumption is purchased electricity. In our energy management processes, we always adhere to the philosophy of "energy conservation" and actively implement various electricity-saving measures to comprehensively promote energy conservation and emission reduction efforts. The Group is also proactively committed to reducing electricity usage. We aim to lower the density level of water and electricity consumption by promoting green office practices, fully utilizing natural lighting, providing energy-saving solutions for air conditioning systems and regularly conducting ESG-related training for employees to enhance their ESG awareness. At the same time, we require employees to turn off all unused electrical equipment to further reduce energy waste.

The Group's energy consumption performance in 2024 is summarized as follows:

Energy Type [4]	Unit	2024
Direct energy consumption [4]	MWh	1.07
• Diesel	MWh	1.07
Indirect energy consumption	MWh	2,998.61
• Purchased electricity	MWh	2,998.61
Total energy consumption	**MWh**	2,999.68
Total energy consumption intensity	**MWh/thousand R&D expenses**	0.04

Note:

4. The calculation of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

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Water Management

The Group has always been committed to strengthening water resource management, improving water utilization efficiency, and taking practical actions to protect this precious resource. To achieve this goal, the Group implements standardized management of water resources, continuously implements water-saving initiatives, and reduces water waste. Through monitoring water consumption and taking appropriate measures, the Group ensures efficient utilization of water resources in its operations.

Additionally, the Group actively promotes water conservation among employees by posting signs for water and electricity conservation in prominent locations and emphasizing the importance of responsible water use in various areas such as laboratory testing, cleaning, and office operations. By enhancing employees' water conservation awareness and encouraging responsible water usage behaviors, the Group aims to instill a culture of water conservation among all employees.

The water used in our business operations is sourced from the municipal water supply, and there are no issues with water intake.

The Group's water consumption in 2024 is summarized as follows:

Water Consumption	Unit	2024
Total water consumption	tonnes	**47,944.56**
Total water intensity	tonnes/thousand R&D expenses	**0.67**

Use of Packaging Materials

As the Group has not yet commenced commercial production, it has not yet involved the use of packaging materials. We will continue to monitor this indicator in the future and disclose relevant information in due course.

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The Environment and Natural Resources

As a responsible corporate, the Group is committed to creating value for industry development and human health. Meanwhile, the Group upholds its environmental responsibilities and strives to achieve harmonious coexistence between humanity and nature. To ensure compliance with our environmental obligations, the Group has implemented a robust environmental management system. The system identifies and manages environmental impacts throughout our operations, with a focus on minimizing the Group's impact on the surrounding environment. As our products have not yet entered the commercialization stage, our current operations do not cause any significant adverse environmental impacts or depletion of natural resources. However, the Group actively seeks opportunities to promote green chemistry in laboratory testing and clinical trials.

We endeavor to reduce negative impact on the environment through our commitment to energy saving and sustainable development. We actively promote the idea of a paperless workplace, and encourage double-sided printing of documents in our office. With our future business expansion, we focus on the balance between business growth and the need of ESG to achieve sustainable development. The relevant material metrics for our resource consumption will be reviewed regularly to ensure that they remain appropriate to the needs of our Group. Additionally, enhancing employees' ESG awareness is also crucial, and we plan to provide regular ESG-related training for our staff.

Safeguard of Animal Welfare

The Group is committed to balancing the welfare of laboratory animals with the interests of animal experimenters during animal testing. We conduct scientific review and daily supervision of projects based on a comprehensive assessment of the harm inflicted on laboratory animals and the necessity of using them, to ensure animal welfare. We strictly adhere to relevant laws and regulations safeguarding animal welfare, including but not limited to the Regulations on the Administration of Laboratory Animals, and strictly prohibit using inhumane methods to treat research animals or conducting tests that violate the international standards set by the Association for Assessment and Accreditation of Laboratory Animal Care International.

Addressing Climate Change

Climate change poses escalating risks and challenges to the global economy, and such risks may have an adverse impact on the business of the Group. Therefore, the Group recognises the importance of the identification and mitigation of significant impact brought about by climate change. The Group regularly assesses climate-related risks to understand their potential financial and operational impacts on its business, thereby enabling the Group to proactively identify and evaluate climate-related risks and opportunities.

We incorporate environmental risk analysis into the risk assessment process and risk preference setting. If risks and opportunities are deemed material, we incorporate them into our strategic and financial planning processes and take appropriate mitigation measures. Due to the nature of our business, we are not prone to material impacts of chronic physical risks or transition risks.

Physical Risks

The environmental and climate-related risks we are exposed to can be divided into two broad categories: physical and transition risks. We define physical risks as risks related to the physical impacts of climate change, consisting of (i) acute physical risks, such as increased severity of typhoon or floods; and (ii) chronic physical risks that are affected by long-term changes in climate patterns, such as changes in average annual rainfall or temperature. The above acute and long-term physical risks could increase the likelihood of power shortages, disrupt supply chains, and damage the Group's assets, leading to operational disruptions, reduced revenue, higher costs for repairing or restoring damaged sites, potential hindrances to employee work, and even loss of life. As countermeasures, the Group has established emergency arrangements, closely monitors its business operations, and has purchased insurance for its production facilities and employees, while also informing employees in advance about arrangements during severe weather to mitigate the potential impacts of physical risks. The Group will identify these risks and prioritize those with severe impacts to enable timely implementation of preventive measures.

Transition Risks

We define transition risks as the risks arising from the transition from reliance on fossil fuels to a low-carbon economy, which may involve changes in policies, laws, technologies, markets, and social and cultural. To achieve sustainable development, governments around the world have successively introduced climate-related legislation or tightened regulations to support the global decarbonization vision. For example, in recent years, the Chinese government has been pursuing the "2030 Peak Carbon, 2060 Carbon Neutral" goal, and is committed to improving dual-control systems for energy consumption, such as possible carbon taxes, compliance disclosures, and increased adoption of new energy by businesses and households. The Group will actively introduce new environmentally friendly equipment and gradually phase out high-energy-consuming facilities to align with the development of national new energy policies.

In addition, the Stock Exchange requires listed companies to enhance climate-related disclosures in their ESG reports, which may lead to increased compliance costs. Failure to meet climate change compliance requirements may expose the Group to claims and litigation risks, potentially resulting in reputational damage. The Group will regularly monitor existing and emerging trends, policies, and regulations related to climate change and seek compliance advisory services where necessary to avoid reputational risks arising from delayed responses. The Group will continue to assess the effectiveness of its climate change response measures and strengthen its capabilities in addressing climate-related matters.

While the Group recognizes the various challenges mentioned above, it is also mindful of the opportunities presented by climate change. Demand for low-emission products may create business opportunities. The Group is committed to capturing emerging opportunities, staying abreast of developments, and seeking sustainable growth prospects. To track its performance, the Group records its greenhouse gas emissions and implements measures to minimize emissions. For details of the Group's greenhouse gas targets, data, and initiatives, please refer to the sections headed "Environmental Targets" and "GHG Emissions".

Environmental, Social and Governance Report

Social Aspects

Employment Practices

Diversity, Equity, and Inclusion

Human resources form the foundation of the Group's sustainable development. Adhering to a people-oriented approach, the Group respects and safeguards the lawful rights and interests of all employees. We are committed to creating an open, inclusive, and equitable workplace. Employees are recruited based on merit, and it is our corporate policy to provide equal opportunities to all employees, irrespective of gender, age, race, religion, or any other social or personal characteristics. Our employees come from diverse backgrounds and possess expertise in various fields, including biomedical sciences, biochemistry, pharmaceutical engineering, food quality and engineering, immunology, genetics, financial management, human resources, intellectual property, and international trade. We uphold a fair and transparent employee management system and strive to enhance gender and age diversity within our workforce.

The Group strictly complies with relevant laws and regulations such as the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), and the PRC Law on Social Insurance (《中華人民共和國社會保險法》). During the Reporting Period, the Group was not aware of any material non-compliance with human resources-related laws and regulations that would have had a significant impact on the Group.

The breakdown of employees within the reporting scope of the Group is as follows:

Number of employees	31 December 2024
Total	130
By gender	
Male	43
Female	87
By age group	
<30	70
30-50	54
>50	6
By region	
PRC	130
By employment type	
Full-time	125
Part-time	5

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Recruitment, Promotion, and Dismissal

The Group established human resources management policies that systematically outline the recruitment processes, promotion procedures, dismissal/resignation processes, performance evaluation approaches, retention strategies, salary and benefits procedures, employee training, etc. In particular, we stick to our corporate governance philosophy of "valuing, attracting, nurturing, and employing talents appropriately". We implement a merit-based hiring approach so make sure our recruitment is based on the principles of openness, fairness, and equity.

During the Reporting Period, the employee turnover rate within the reporting scope is set out as follows:

Turnover rate[5]	2024
Total	35%
By gender	
Male	39%
Female	33%
By age group	
<30	31%
30-50	42%
>50	17%
By region	
PRC	35%

Note:

5. Turnover rate of employees = number of employees who resigned during the year ÷ (number of new employees recruited during the year + number of employees at the end of the year) × 100%

Remuneration and Benefits

The Group enters into individual employment contracts with our employees, covering salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. We also enter into separate confidentiality and non-competition agreements with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business.

We are committed to making sure that working conditions throughout our business network are safe and that employees are treated with care and respect. Our employees' remuneration comprises salaries, bonuses, housing provident funds, social insurance premium, and other welfare payments. Furthermore, we offer various incentives and benefits, including bonuses and share-based compensation, particularly to our key employees. We have made contributions to our employees' social insurance premium (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds pursuant to applicable laws and regulations.

Occupational Health and Safety

The Group attaches great importance to its employees' health and safety. The Group emphasizes on providing a safe working environment for its employees and clinical trial subjects. We have implemented company-wide environment, health and safety (the "**EHS**") manuals, policies and standard operation procedures. We have incorporated work safety guidelines on safe practices, accident prevention and reporting into the core of our employee training and induction process, and ensured that clinical trial subjects are properly and continuously informed about safety issues at the time of enrollment and as necessary. In addition, we have adopted and maintained a series of rules, standard operation procedures and measures, including those in compliance with GMP standards, to maintain a healthy and safe environment for employees. The Group has implemented safety guidelines for employee health and safety, environmental protection and operational and manufacturing safety of laboratories and production facilities, and closely monitored internal compliance with these guidelines. Furthermore, we regularly conduct safety inspection for laboratories and production facilities. Last but not the least, we have established occupational health and monitoring management system to protect the health and rights of our employees, prevent occupation diseases and appropriately arrange employment for employees with occupational diseases and provide them with compensation.

During the Reporting Period, the Group did not record any work-related fatality. For the past three years (the Reporting Period inclusive), the Group did not record any work-related fatality with 0% of rate of work-related fatality.

During the Reporting Period, the Group lost 30 working days due to work injury. The Group did not identify any material matter that had a significant impact on the Group and materially violated relevant laws and regulations related to health and safety. Relevant laws and regulations include but are not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

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Talent Training and Occupational Development

The Group pays attention to trainings in relation to in-house management and expertise. We also strive to enhance our employees' business competence and understanding of our corporate culture with an aim to improving manpower performance and strengthening our core competitiveness, supporting individual growth and development, and facilitating the Group's sustainable development. In order to maintain the quality, knowledge and skill of all employees, we also provide regular and special trainings to employees from different departments in accordance with their needs. We regularly organize training lessons conducted by our senior employees or consultants from collaborative manufacturers, covering all aspects in our business operations, including overall management, project execution and technical know-how. In addition, we provide training programs for our employees from time to time to ensure that they understand and comply with our policies and procedures in various areas.

Training Management

The Group's training programs comprise of internal and external trainings. Internal trainings are led by the administration department with the cooperation of all departments in accordance with annual training programs, the Company's development or production needs, which includes overall management, project execution and technical know-how. When new R&D needs to be carried out or there is special requirement or complaint from customers, the head of responsible department will take the lead in the training and draft the topic and content. Departments may also apply for external trainings to arrange professional knowledge courses that did not provided by the Group's internal instructors, or to participate in trainings courses provided by specialized training institutions or governmental authorities for the purpose of obtaining qualification certificates.

The Group will organize a series of training courses, covering the Management System for Probation and Regularization, the Management System for Attendance and Overtime, the Management System for Leave, the Implementation Rules for Payment of Salary in Relation to Employee's Leave and Attendance, the Management System for Resignation, the Handling Measure for Violation, the Anti-commercial Bribery System, the 5S Management Measure for Working Environment and the Financial Reimbursement System. Through these trainings, we aim to enhance the knowledge and skills of employees to help them better cope with challenges at work.

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During the Reporting Period, the percentage of employees trained of the Group[6] was approximately 46.2%, and the average training hours of each employee[7] are approximately 0.54 hours. The distribution of employees trained and the average training hours by gender and employee category are as follows:

Indicator	Breakdown of employees trained[8] 2024	The average training hours[9] 2024
By gender		
Male	40%	1.2
Female	60%	1.1
By employee category		
Senior management	7%	3.5
Middle management	2%	1
General employee	91%	1

Notes:

6. Percentage of employees trained = total number of employees trained during the year ÷ total number of employees at the end of the year × 100%.

7. Average training hours of each employee = total number of training hours of employees during the year ÷ total number of employees at the end of the year.

8. Breakdown of employees trained in the category = number of employees trained in that category during the year ÷ total number of employees trained during the year x 100%.

9. Average training hours in the category = number of training hours of employees in the category during the year ÷ number of employees in the category at the end of the year.

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Labour Standards

The Group strictly abides by the Regulations of Labour Insurance (《勞動保障監察條例》) and Supervision and Provisions on Prohibition of Child Labour of the PRC (《禁止使用童工規定》), to prevent any child labor and forced labour. During the Reporting Period, the Group was not aware of any violation of any relevant employment laws and regulations in relation to child labour and forced labour prevention.

Prohibition of Child Labour and Forced Labour

The Group is committed to upholding and protecting human rights, maintaining the highest standards of ethical conduct, and protecting labour rights in all operations. Our strong commitment to these principles is clearly stated in the Employee Manual. We have implemented a strict policy that explicitly prohibits any form of child labour and forced labour in the workplace. To ensure compliance, the human resource department will conduct comprehensive identity and qualification review on all job applicants and workers before signing the contract. If any child labour and forced labour is detected, immediate action will be taken. The Group will terminate the relevant contract immediately, and initiate follow-up investigation to properly handle the situation. In addition, to ensure that the workload of employees is reasonable, we have formulated a policy to strictly monitor overtime during the extended hours on normal working days, weekend and statutory holidays. Employees who need to work overtime are required to apply for and obtain prior approval from their immediate supervisors.

Supply Chain Management

The Group looks forward to long-term cooperation with its suppliers. It has been conducting its tendering and procurement processes based on the principles of openness, fairness, impartiality, and competitive selection, with a view to developing together with its suppliers. The Group has established a strict and standardised procurement model and a systematic supplier selection procedure and required all suppliers to control environmental and social risks along the supply chain. The distribution of the Group's suppliers by geographical region is as follows:

Number of suppliers	2024
Total	**469**
By geographical region	
Mainland China	**463**
Overseas	**6**

Environmental, Social and Governance Report

Procurement Mechanism

The Group's purchases mainly include third-party contract services for preclinical evaluation and clinical trials of our product candidates, premise leases, equipment procurement and others. Our suppliers primarily include raw material suppliers and contract services providers. Our considerations in supply chains include technical quality, cost effectiveness, delivery efficiency and reliability.

Additionally, to identify and cope with any potential risks, we established procurement management policies in relation to technical contract services that clearly define the overall review and regular evaluation processes for suppliers, based on which we made a qualified supplier list and update the list from time to time. We established management policies in relation to procurement of technical contract services that specifies the responsibilities for the service providers, including CROs, testing organizations, clinical trial centers, etc. The policies also outline due diligence procedures, selection criteria, approval process, performance management and payment settlement.

Furthermore, we tend to opt for scaled suppliers that are public companies as we believe such partners are subject to stricter compliance standards and capable of offering more environmentally-friendly products and services. We have also implemented strict anti-corruption and anti-bribery policies to prevent collusion and corruption.

Environmental and Social Risk Management of Supply Chain

In selecting and prior to entering into contracts with suppliers, the Group will conduct due diligence to assess the potential supplier's price, quality, reputation, ability to deliver products and services, and technology. Where necessary, the Group may require the supplier to send samples or products for trial inspection or organize personnel for field inspection, before including the supplier in its qualified supplier pool after audit by the Purchasing Department. The Group also requires the supplier to provide corporate certifications, including but not limited to quality and/or environmental management system certification, to ensure their compliance with national and international standards.

We also actively express our requirements and expectations for environmental protection and social responsibility to our suppliers and other partners in the hope of jointly building a sustainable and responsible supply chain while establishing a sustainable and long-term cooperative relationship.

Environmental, Social and Governance Report

Quality and Safety of Products and Services

Quality control ("**QC**") and quality assurance ("**QA**") are crucial to the Group. We endeavor to ensure the quality of our products through a comprehensive quality management system in accordance with the regulations of the National Medical Products Administration of the PRC and the Food and Drug Administration of the United States ("**FDA**") and other applicable regulations, including GMP/cGMP and the standards of the Chinese and American Pharmacopoeias. We have established QC and QA procedures for monitoring operations to ensure that they meet relevant regulatory and internal quality requirements. We implement QC measures for the development and production process, mainly including control and inspection of raw materials, management of each step of the development and production process, inspection of samples, establishment of internationalized product release standards, and risks evaluation during the product development and manufacturing.

Our QC team is mainly responsible for quality inspection of GMP compliant manufacturing, analytical method validation, establishment of product quality standards, product release testing, and stability assessment. Our QC team also inspects raw materials, intermediate products, raw liquids, finished products, and decides whether to release such materials for manufacturing. Process validation is generally conducted after the initiation of the pivotal clinical stage, and the key steps primarily include (i) the finalization of process validation plan; (ii) the preparation of materials for validation, and (iii) the validation process for three batches of drug substance and drug product. The analytical method validation for the BLA applications is typically conducted with the first batch of drug substance from the process validation.

Our QA team is mainly responsible for managing experimental documents, overseeing manufacturing site and final products for clinical usage, compliance assessment, and the inspection and audit of our outsourced vendors. We implement strict procedures for receiving and releasing of the raw materials used in the production, intermediate products, raw liquids and buffers, and finished products.

We have established a series of internal procedures and protocols including standard operating procedures for quality management of manufacturing process, product release and stability study. We also have standard operating procedures in place to ensure that the finished products meet the process requirements by relevant regulatory authorities. Such procedures ensure the high quality of our products used for clinical trials.

The Group strictly complies with the PRC Drug Administration Law (《中華人民共和國藥品管理法》), the Implementing Measures of the PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》) and other relevant laws and regulations on the administration of drugs, which govern, inter alia, the research, development, manufacturing and business operation of new drugs, administration on the pharmaceutical manufacturing enterprises, pharmaceutical trading enterprises, and medicinal preparations of medical institutions, and the distribution, packaging and pricing of drugs. During the Reporting Period, the Group was not aware of any material breach of laws and regulations relating to product and service quality. There were no products subject to recalls for safety and health reasons as we currently have no drug approved or in commercial stage yet.

Environmental, Social and Governance Report

Research, Development and Innovation

We consistently devote resources to R&D to pave for long-term growth. We believe the diversification and expansion of our product pipeline through both in-house R&D and through external collaboration are critical to our long-term competitiveness and success. Our fully-integrated biological therapeutic platform encompasses all the key biologic drug development functionalities, and enables us to identify and address potential clinical and manufacturing issues early in the development process so we can direct our efforts towards biologics with the best potential to become clinically active, cost-effective and commercially viable drugs. Our platform spans from the early phase of identifying demand, developing core technologies, managing clinical trials and product registrations, to the manufacturing and marketing of products. We believe that our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through rapidly changing market needs, enable us to improve pipeline viability and expedite product development cycle at lower cost.

Our achievement is largely attributed to our R&D team, who has profound industry experience in fields such as mechanisms of cytokine action, antibody drug discovery, protein engineering and antibody engineering, and biopharmaceutical project management. Our core R&D team members are experienced project leaders in the pharmaceutical industry. They contributed their knowledge and provided guidance to the development of our proprietary R&D platforms and drug candidates.

In terms of biopharmaceutical innovation, our R&D strength and growth potential have been recognized by the industry. After being honored with the title of "China's Top 100 Future Unicorns" by CYZONE, we have been successfully included in the "Top 50 Chinese Enterprises — Strength in Biopharm R&D" list by Yaozhi Web. These awards not only confirm our leading position in the field of antibody drug development, but also encourage us to continuously improve our quality management system, create safe, effective and innovative therapies aligning with world-class standards, and create greater value for patients around the world.

Clinical Safety and Communication

Our medical and clinical development team coordinates our trial design and execution, and manages the procedures of our clinical trials with the assistance of CROs, including implementation, drug supply, collection and analysis of trial data, and preparation of trial reports. Our trial advancements are driven by our clinical development experience, well-designed trial protocols, multi-center trial strategy in close collaboration with PIs, and efficient trial execution. We employ a clinical-demand-oriented approach to our R&D efforts. We strategically design the clinical trials of our drug candidates, critically select the registration pathways, diligently conduct our clinical trials to ensure speed of execution and data quality, and maintain constructive dialogues with the regulatory authorities to achieve optimal clinical efficacy, and accelerate the approval process of our drug candidates.

We select trial sites based on multiple factors. We regularly communicate with collaborating hospitals and principal researchers that can support our clinical trials of different indications at different stages. We believe that the size and the geographic diversity of these institutions provide us with a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple clinical trials concurrently. We engage the CROs and other contract service providers and research centers in our clinical trials on a project-by-project basis, and have taken several initiatives to make sure that these institutions perform their duties in a manner that complies with our protocols and applicable laws and to protect the integrity of clinical data. We provide these institutions with the final clinical trial protocols and a series of trainings to ensure their familiarity with the trials. They conduct the clinical trials based on our protocols, and we designate internal personnel to supervise the implementation phase.

Environmental, Social and Governance Report

Data Security and Customer Privacy Protection

The Group attaches great importance to and respects the privacy of personal information, and strictly abides by the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) and other relevant laws and regulations. We have established procedures to protect the confidentiality of trial participants' data. We demand that all parties involved in clinical trials, both external and internal, adhere to confidentiality obligations. We require our personnel to collect and safeguard personal information in their possession. Our CROs and other partners are obligated to safeguard the confidentiality of such information pursuant to our contracts with them. Compliance with GCP and relevant rules ensures that only approved personnel can access clinical trial data. Data utilization is strictly confined to the use consented to by the patients, which is in line with the Informed Consent Form ("**ICF**"). We ensure to obtain further consent from patients for any data usage that extends beyond the ICF's scope.

Any data transfer related to our product development initiatives and regulatory communications must adhere to relevant local data protection and privacy laws. Accordingly, we have implemented a series of control measures and structures. These measures include ensuring the legality of the cross-border data transfers, securing necessary regulatory approvals, and making appropriate filings with competent authorities according to applicable laws and regulations (particularly in the case of any transfer between China and the U.S.).

Intellectual Property Protection

Intellectual property, including patents, trade secrets, trademarks and copyrights, is critical to the Group's business. Our success depends in part on our ability to obtain and maintain intellectual property protection for our drug candidates, novel discoveries, product development technologies, inventions and know-how. Our success also depends in part on our ability to defend and enforce our patents including patents that we have or may issue from our patent applications, preserve the confidentiality of our trade secrets and operate without infringing the valid and enforceable patents and other proprietary rights of other parties.

We have adopted a strategy to develop a global portfolio of patents to protect our drug candidates and product development technologies. During the Reporting Period, we owned 21 issued patents and 127 patent applications, and 27 trademark registrations, relating to certain of our candidate products and technologies.

Business Ethics

The Group upholds the business values of integrity and honesty, firmly opposing all forms of commercial corruption. We have established a rigorous internal control system to ensure compliance with laws, industry regulations, and ethical business practices. The Group believes that a culture of integrity is fundamental to our sustained success. As such, we place utmost importance on anti-corruption initiatives and institutional safeguards, resolutely prohibiting any acts of bribery and corruption. The Group strictly adheres to relevant legal and regulatory requirements, including the Company Law of the People's Republic of China (《中華人民共和國公司法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》). During the Reporting Period, the Group did not identify any major matters that violated relevant laws and regulations on preventing bribery, extortion, fraud, and money laundering. There were also no finalized corruption litigation cases.

Environmental, Social and Governance Report

Anti-corruption

The Group adopts a "zero tolerance" attitude towards corruption and fraud. In addition to stipulating the code of ethics for suppliers, relevant administrative disciplinary measures have also been specified in the Employee Handbook. Moreover, strict anti-corruption and anti-bribery policies have been formulated to eliminate any internal corruption and prevent the infringement of improper benefits. The Group is committed to creating an honest and good working environment and building a corporate culture that is clean, open and transparent.

The Group regularly arranges anti-corruption training seminars for its Directors and employees or circulates relevant anti-corruption materials. It also holds meetings on the construction of anti-corruption and integrity promotion to cultivate their professional ethics, anti-corruption awareness and good professional conduct, and requires them to abide by the code of clean conduct.

Whistleblowing Mechanism

The Group places great emphasis on the integrity and honesty of its employees. A whistleblowing mechanism has been established to instill anti-corruption awareness among all staff and encourage them to report any incidents of corruption or fraud. Upon receiving a report, we will promptly investigate and take necessary and appropriate actions. We are also committed to protecting the identity of whistleblowers to prevent any conflicts of interest or actions that may harm the interests of the Group and its relevant stakeholders. The Board of Directors will also regularly review the effectiveness of this whistleblowing mechanism.

Community Investment and Engagement

While pursuing business growth, the Group is also committed to serving and making positive contributions to the community, demonstrating our role as a corporate citizen. We emphasize our obligation to community engagement and strive to fulfill our corporate social responsibility through community service initiatives. Additionally, we aim to foster a sense of social responsibility among our employees by encouraging their participation in charitable activities, both during work hours and in their personal time, to create a greater societal impact. Moving forward, we will continue to contribute to the community with the goal of promoting social harmony.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF SUNHO BIOLOGICS, INC.
(盛禾生物控股有限公司)
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sunho Biologics, Inc. (盛禾生物控股有限公司) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 98 to 160, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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 (the "**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**"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, was of most significance in our audit of the consolidated financial statements of the current period. 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 (Continued)

Key audit matter	How our audit addressed the key audit matter

Cut-off of outsourcing research and development ("R&D") expenses

During the year ended December 31, 2024, the Group incurred R&D expenses of approximately RMB71,117,000 out of which approximately RMB11,047,000 as disclosed in note 9 to the consolidated financial statements were attributed to the outsourcing R&D expenses paid and payable to outsourced service providers including contract research organizations, clinical trial organizations, clinical site management operators, contract manufacturing organizations and contract development and manufacturing organizations (collectively referred to as the "**Outsourced Service Providers**").

Recording of outsourcing R&D expenses to appropriate financial period and corresponding accruals at the end of reporting period are based on the progress of the R&D activities which involves significant estimations and judgments.

We identified the cut-off of outsourcing R&D expenses as a key audit matter due to its significance and risk of not recording the outsourcing R&D expenses in the appropriate financial reporting period.

Our procedures in relation to the cut-off of outsourcing R&D expenses included:

Obtaining an understanding of the relevant key controls in relation to the accrual process of the outsourcing R&D expenses and evaluating the design and implementation of these controls;

Conducting test of details on a sample basis to determine whether the outsourcing R&D expenses were appropriately accrued based on the respective progress and/or milestones achieved, as of December 31, 2024 by:

(1) Reviewing the key terms set out in the agreements with the Outsourced Service Providers;

(2) Evaluating the progress of outsourcing R&D projects by:

   a. Inspecting the external clinical trial data platforms for the clinical trial organizations and clinical site management operators;

   b. Inspecting, on a sample basis, the supporting documents reported by their representatives and sending confirmations for the remaining Outsourced Service Providers;

   c. Interviewing major Outsourced Service Providers, in 2a and 2b, to understand the progress of the outsourcing R&D projects;

(3) Checking the subsequent payment to Outsourced Service Providers to evaluate the adequacy of the outsourcing service fees accrual at the year end.

Independent Auditor's Report

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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

We communicate with those charged with governance 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in this independent auditor's report is Wong Shun Yu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 31, 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024

	Notes	Year ended December 31, 2024 RMB'000	2023 RMB'000
Other income	6	**9,485**	21,005
Other expenses		**–**	(70)
Other gains and losses, net	7	**38,704**	(49,615)
Research and development expenses	9	**(71,117)**	(43,041)
Administrative expenses		**(30,276)**	(40,701)
Listing expenses		**(25,842)**	(19,587)
Finance costs	8	**(919)**	(692)
Loss before tax	10	**(79,965)**	(132,701)
Income tax expense	11	**–**	–
Loss and total comprehensive expense for the year		**(79,965)**	(132,701)
Loss per share			
— Basic and diluted (RMB)	13	**(0.62)**	(1.43)

Consolidated Statement of Financial Position

At December 31, 2024

	Notes	As at December 31, 2024 RMB'000	2023 RMB'000
Non-current assets			
Property and equipment	*15*	**34,812**	41,119
Right-of-use assets	*17*	**16,992**	9,587
Intangible asset	*16*	**10,000**	10,000
Equity instrument at FVTOCI	*21*	**910**	–
Prepayments for acquisition of equipment		**2,523**	103
Refundable fulfilment deposits	*19*	**2,500**	2,500
		67,737	63,309
Current assets			
Inventories	*20*	**974**	818
Deposits, prepayments and other receivables	*19*	**24,231**	16,256
Financial assets at fair value through profit or loss ("**FVTPL**")	*21*	**158,825**	–
Other financial assets	*22*	**–**	49,579
Time deposits	*23*	**219,468**	35,414
Restricted bank deposits	*23*	**10,509**	–
Cash and cash equivalents	*23*	**78,991**	125,074
		492,998	227,141
Current liabilities			
Trade and other payables	*24*	**7,601**	73,960
Bank loans	*25*	**34,300**	–
Lease liabilities	*26*	**2,245**	2,178
Financial liabilities at FVTPL	*27*	**–**	311,525
		44,146	387,663
Net current assets (liabilities)		**448,852**	(160,522)
Total assets less current liabilities		**516,589**	(97,213)

Consolidated Statement of Financial Position

At December 31, 2024

	Notes	As at December 31, 2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	*26*	**4,651**	6,896
		4,651	6,896
Net assets (liabilities)		**511,938**	(104,109)
Capital and reserves			
Share capital	*28*	**524**	322
Treasury stock		**(19)**	(19)
Reserves		**511,433**	(104,412)
Total equity (deficit)		**511,938**	(104,109)

The consolidated financial statements on pages 98 to 160 were approved and authorised for issue by the board of directors on March 31, 2025 and are signed on its behalf by:

ZHANG FENG
DIRECTOR

YIN LIUSONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Reserves						
	Share capital RMB'000	Treasury stock RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2023	322	(29)	191,660	–	1,963	(195,415)	(1,499)
Loss and total comprehensive expense for the year	–	–	–	–	–	(132,701)	(132,701)
Recognition of equity-settled share-based payments expenses *(note 29)*	–	–	–	–	30,081	–	30,081
Reclassification of vested equity-settled share-based payments	–	10	32,044	–	(32,044)	–	10
As at December 31, 2023	**322**	**(19)**	**223,704**	**–**	**–**	**(328,116)**	**(104,109)**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(79,965)**	**(79,965)**
Issue of shares upon initial public offering ("**IPO**") *(note 28)*	**122**	**–**	**–**	**419,654**	**–**	**–**	**419,776**
Share issue costs for IPO	**–**	**–**	**–**	**(28,855)**	**–**	**–**	**(28,855)**
Automatic conversion of Series A Preferred Shares upon IPO *(note 27)*	**80**	**–**	**–**	**276,663**	**–**	**–**	**276,743**
Recognition of equity-settled share-based payments expenses *(note 29)*	**–**	**–**	**–**	**–**	**28,348**	**–**	**28,348**
As at December 31, 2024	**524**	**(19)**	**223,704**	**667,462**	**28,348**	**(408,081)**	**511,938**

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(79,965)**	(132,701)
Adjustments for:		
Finance costs	**919**	692
Interest income	**(9,447)**	(3,471)
Net foreign exchange (gains) losses	**(1,481)**	8,290
Share-based payment expenses	**28,348**	30,081
(Gain) loss from changes in fair value of financial liabilities at FVTPL	**(34,782)**	41,345
Depreciation of property and equipment	**6,949**	6,402
Depreciation of right-of-use assets	**2,483**	2,238
Operating cash flow before movements in working capital	**(86,976)**	(47,124)
(Increase) decrease in inventories	**(156)**	63
Increase in deposits, prepayments and other receivables	**(7,433)**	(2,923)
(Decrease) increase in trade and other payables	**(14,455)**	9,331
NET CASH USED IN OPERATING ACTIVITIES	**(109,020)**	(40,653)
INVESTING ACTIVITIES		
Interest received from financial institutions	**8,905**	2,742
Acquisition of property and equipment	**(39,372)**	(1,030)
Purchase of financial assets at FVTPL	**(158,825)**	–
Purchase of equity instrument at FVTOCI	**(910)**	–
Purchase of land use right	**(9,888)**	–
Purchase of other financial assets	**(2,132)**	(49,701)
Redemption of other financial assets	**51,711**	–
Placement of restricted bank deposits	**(10,509)**	–
Placement of time deposits with maturity of more than three months	**(219,547)**	(35,899)
Redemption of time deposits with maturity of more than three months	**35,530**	–
NET CASH USED IN INVESTING ACTIVITIES	**(345,037)**	(83,888)

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Borrowings from Nanjing Bode Biological Pharmaceutical Co., Ltd * (南京博德生物製藥有限公司) ("**Nanjing Bode**")	**–**	23,000
Repayments to Nanjing Bode	**(19,532)**	(34,515)
Proceeds from issuance of shares by the Company	**–**	270,517
Proceeds from issue of ordinary shares	**419,776**	–
New bank loans raised	**47,280**	–
Repayment of bank loans	**(12,980)**	–
Interest paid on bank loans	**(697)**	–
Payment of lease liabilities	**(2,400)**	(23)
Issue cost paid	**(24,917)**	(3,482)
NET CASH FROM FINANCING ACTIVITIES	**406,530**	255,497
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(47,527)**	130,956
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**125,074**	1,821
Effect of foreign exchange rate changes	**1,444**	(7,703)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**78,991**	125,074

* *English name for identification purpose only*

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

1. General Information

Sunho Biologics, Inc. (the "**Company**") was incorporated in the Cayman Islands as an exempted company registered under the Company Laws of the Cayman Islands on May 14, 2021. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from May 24, 2024. Its immediate and ultimate parent is Sunho Wisdom Investment Limited ("**Sunho Wisdom**") (incorporated in the British Virgin Islands). The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and the principal place of business of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are mainly committed to the develop regulate immune microenvironment by directly modulating both the innate and adaptive immune systems. Particulars and principal activities of the subsidiaries are disclosed in note 35.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company and its subsidiaries.

2. Application of New and Amendments to IFRS Accounting Standards

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

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

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

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

2. Application of New and Amendments to IFRS Accounting Standards (Continued)

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

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

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

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after January 1, 2025.

3 Effective for annual periods beginning on or after January 1, 2026.

4 Effective for annual periods beginning on or after January 1, 2027.

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

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

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

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets the Group hold are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is transferred to accumulated losses.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including cash and cash equivalents , time deposits, restricted bank deposits, other financial assets, other receivables and refundable fulfilment deposits) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all the financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses, net' line item (note 7) as part of the net foreign exchange gains (losses);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses, net' line item as part of the gains (losses) from changes in fair value of financial assets (note 7);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including bank loans, trade and other payables, amounts due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses, net' line item in profit or loss (note 7) as part of net foreign exchange gains (losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

Foreign currencies

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Equity-settled share-based payment transactions

*Restricted share units ("**RSU**") granted to employees and other share incentive plan*

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

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

When RSU are vested, the amount previously recognised in share-based payments reserve will be transferred to capital reserve.

Shares granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Leases

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received.

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "**lease modifications**").

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Property and equipment

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

Properties and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Impairment on property and equipment, right-of-use assets and intangible assets

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Impairment on property and equipment, right-of-use assets and intangible assets (Continued)

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Taxation

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

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

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

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgments in applying accounting policies

The following is the critical judgment, that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the Group's intention to complete and the Group's ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the year, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

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

Useful lives of property and equipment

The management of the Group determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property and equipment. This estimate is reference to the useful lives of property and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected or will write off or write down obsolete assets that have been abandoned or sold.

5. Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("**CODM**"), which is also identified as the chief executive officer of the Group, in order to allocate resources and to assess the performance.

During the years ended December 31, 2024 and 2023, the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single segment and no further analysis of the single segment is presented.

Geographical information

The Group has not generated any revenue during the years ended December 31, 2024 and 2023.

As at December 31, 2024 and 2023, all non-current assets are located in the People's Republic of China (the "**PRC**").

6. Other Income

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Government grants *(note i)*	**38**	17,326
Sales income from contract manufacturing services *(note ii)*	**–**	208
Interest income from financial institutions	**9,447**	3,471
	9,485	21,005

Notes:

i. The amount represents subsidies granted by the PRC local government authorities as incentives for the Group's research and development activities. The government grants including unconditional and conditional, and had been approved by the PRC local government authorities. The unconditional government grants are recognised when payments were received. The conditional government grants are recognised when condition met and the corresponding grants are received.

ii. Contract manufacturing services income was primarily related to production and sales of clinical samples on contract manufacturing basis under customer's specific order. It is recognised when the goods have been delivered, which is the point of time being when the goods are accepted by customers. The credit term is 5 to 15 days upon delivered. The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of contract manufacturing services income as the related contracts have an original expected duration of less than one year.

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7. Other Gains and Losses, Net

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Gain (loss) from fair value change of financial liabilities at FVTPL	**34,782**	(41,345)
Net foreign exchange gains (losses)	**3,840**	(8,290)
Others	**82**	20
	38,704	(49,615)

8. Finance Costs

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Interest expenses on borrowing from Nanjing Bode	**–**	491
Interest expenses on bank loans	**697**	–
Interest expenses on lease liabilities	**222**	201
	919	692

9. Research and Development Expenses

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Contract research expenses	**11,047**	11,263
Staff costs	**16,720**	15,231
Materials consumed	**3,805**	3,239
Depreciation and amortisation expenses	**8,243**	8,005
Share-based compensation	**25,986**	756
Application fees	**725**	1,180
Energy costs	**700**	258
Others	**3,891**	3,109
	71,117	43,041

10. Loss Before Tax

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loss before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	**6,949**	6,402
Depreciation of right-of-use assets	**2,483**	2,238
	9,432	8,640
Auditors' remuneration	**2,600**	2,573
Directors' emoluments *(note 12(a))*	**4,935**	32,032
Other staff costs:		
— salaries and other benefits	**15,938**	14,930
— retirement benefit scheme contributions	**1,521**	1,240
— share-based payments	**25,986**	–
	48,380	48,202

11. Income Tax Expense

The Company was incorporated in the Cayman Islands and Sunho bio Investments Limited ("**Sunho bio Investments**") was incorporated in the BVI that are tax exempted.

No Hong Kong profits tax was provided as there was no assessable profit that was subjected to Hong Kong Profits Tax during the years ended December 31, 2024 and 2023.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended December 31, 2024 and 2023.

Pursuant to Caishui 2023 circular No. 7, 盛禾(中國)生物製藥有限公司 Sunho (China) Biopharmaceutical Co., Ltd.* ("**Sunho (China) Biopharmaceutical**") enjoyed super deduction of 200% on qualified research and development expenditures during the years ended December 31, 2024 and 2023.

* *English name for identification purpose only.*

11. Income Tax Expense (Continued)

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loss before tax	**(79,965)**	(132,701)
Tax at the applicable PRC income tax rate of 25%	**(19,991)**	(33,175)
Tax effect of expenses that are not deductible for tax purpose	**5,069**	24,166
Tax effect of deductible temporary differences not recognised	**19**	613
Utilization of deductible temporary differences previously not recognised	**(253)**	(2,212)
Tax effect of additional deductible research and development expenses	**(11,003)**	(9,686)
Tax effect of tax losses not recognised	**26,159**	20,294
Income tax expense	**–**	–

As at December 31, 2024, the Group has unused tax losses of approximately RMB278,994,000 (2023: RMB174,358,000). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

As at December 31, 2024, the Group has deductible temporary differences of Nil (2023: RMB934,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The unused tax losses will be carried forward and expire in years as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
2026	**93,183**	93,183
2027	**–***	–*
2028	**81,175**	81,175
2029	**104,636**	–
	278,994	174,358

* *Amount less than RMB1,000*

12. Directors' and Chief Executive Officer's Emoluments and Five Highest Paid Employees

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

(a) Executive and non-executive directors

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2024							
Executive directors:							
Mr. Zhang Feng ("**Mr. Zhang**")	May 14, 2021	–	–	–	–	–	–
Dr. Yin Liusong ("**Dr. Yin**")	July 21, 2023	–	1,460	38	–	–	1,498
Ms. Jiang Xiaoling	July 21, 2023	–	293	10	45	2,362	2,710
Non-executive director:							
Mr. Fan Rongkui	July 21, 2023	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Chan Heung Wing Anthony	May 24, 2024	–	228	–	–	–	228
Ms. Feng Lan	May 24, 2024	–	271	–	–	–	271
Mr. Shi Luwen	May 24, 2024	–	228	–	–	–	228
		–	2,480	48	45	2,362	4,935

12. Directors' and Chief Executive Officer's Emoluments and Five Highest Paid Employees (Continued)

(a) Executive and non-executive directors (Continued)

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2023							
Executive directors:							
Mr. Zhang	May 14, 2021	–	–	–	–	29,325	29,325
Dr. Yin	July 21, 2023	–	1,498	38	–	756	2,292
Ms. Jiang Xiaoling	July 21, 2023	–	297	9	109	–	415
Non-executive director:							
Mr. Fan Rongkui	July 21, 2023	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Chan Heung Wing Anthony	May 24, 2024	–	–	–	–	–	–
Ms. Feng Lan	May 24, 2024	–	–	–	–	–	–
Mr. Shi Luwen	May 24, 2024	–	–	–	–	–	–
		–	1,795	47	109	30,081	32,032

Notes:

i. None of the directors of the Company waived or agreed to waive any emoluments during the years ended December 31, 2024 and 2023.

ii. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.

iii. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

iv. The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

v. Dr. Yin was appointed as CEO of the Company on July 22, 2023.

12. Directors' and Chief Executive Officer's Emoluments and Five Highest Paid Employees (Continued)

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two (2023: two) directors, details of whose remuneration are set out above. Details of the remuneration for the remaining three (2023: three) highest paid employees for the year are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Salaries and other benefits	**717**	717
Discretionary bonus	**241**	805
Retirement benefit scheme contributions	**29**	38
Share-based payments	**25,986**	–
	26,973	1,560

The emoluments of these employees (including the directors) are within the following bands:

	Number of individuals Year ended December 31,	
	2024	2023
Nil to Hong Kong Dollars ("**HK$**") 1,000,000	**1**	3
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,500,001 to HK$3,000,000	**2**	1
HK$26,000,001 to HK$26,500,000	**1**	–
HK$32,500,001 to HK$33,000,000	**–**	1
	5	5

During the years ended December 31, 2024 and 2023, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Transactions, arrangements or contracts in which directors of the Company have material interests

Save as disclosed in note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2024 or at any time during the years ended December 31, 2024 and 2023.

13. Loss Per Share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended December 31, 2024	2023
Loss for the year (RMB'000)		
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(79,965)**	(132,701)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**128,217**	92,882
Loss per share (RMB)		
— Basic and diluted	**(0.62)**	(1.43)

The basic loss per share is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares excluded shares of treasury stock under the employee incentive schemes (note 29) on the assumption that the subdivision of each shares with a par value of US$1.00 in the Company into 2,000 shares with a par value of US$0.0005 each ("**Share Subdivision**") has been effective on January 1, 2023.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The computation of diluted loss per share for the year ended December 31, 2024 and 2023 does not assume the conversion of the Series A Preferred Shares before IPO (as defined in note 27) and the vesting of share-based awards granted to employees (note 29) since their assumed conversion or vesting would result in a decrease in loss per share. Accordingly, diluted loss per share for the years ended December 31, 2024 and 2023 are the same as basic loss per share respectively.

14. Dividends

No dividend was declared or paid by the Company during the years ended December 31, 2024 and 2023.

15. Property and Equipment

	Machinery and equipment RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
As at January 1, 2023	51,897	808	489	2,828	56,022
Additions	1,867	12	–	142	2,021
Transfers	1,922	–	–	(1,922)	–
As at December 31, 2023	**55,686**	**820**	**489**	**1,048**	**58,043**
Additions	**992**	**87**	**–**	**284**	**1,363**
Disposals	**–**	**–**	**–**	**(721)**	**(721)**
As at December 31, 2024	**56,678**	**907**	**489**	**611**	**58,685**
DEPRECIATION					
As at January 1, 2023	10,079	330	113	–	10,522
Provided for the year	6,207	100	95	–	6,402
As at December 31, 2023	**16,286**	**430**	**208**	**–**	**16,924**
Provided for the year	**6,709**	**145**	**95**	**–**	**6,949**
As at December 31, 2024	**22,995**	**575**	**303**	**–**	**23,873**
CARRYING AMOUNT					
As at December 31, 2023	39,400	390	281	1,048	41,119
As at December 31, 2024	**33,683**	**332**	**186**	**611**	**34,812**

The above items of property and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Machinery and equipment	5–8 years
Furniture and office equipment	5–8 years
Leasehold improvements	Over the shorter of the relevant lease terms or 5 years

16. Intangible Asset

	In process research and development project ("IPR&D") RMB'000
COST AND CARRYING AMOUNT	
As at January 1, 2023, December 31, 2023 and December 31, 2024	10,000

The above IPR&D will be amortised on a straight-line basis over the following periods:

IPR&D	Over the residual useful life when ready for use

(i) IPR&D

In 2019, the Group entered into an in-license agreement with an independent third party under which the Group was granted all of IBC0966's rights and interest in Mainland China, Hong Kong, Macau and Taiwan, for the purpose of conducting preclinical development, clinical research and commercialization of certain drugs. In exchange of such rights aforementioned, the Group obligated to pay RMB20,000,000 assignment fee by installments and sales royalties based on annual sales. As at December 31, 2024, the Group had paid an upfront payment of RMB10,000,000 (2023: RMB10,000,000) and such payment was capitalized as intangible asset. Once the new drug certificate of IBC0966 have been granted, the Group shall pay the rest RMB10,000,000 within 10 working days.

As the intangible asset is not ready for use up to December 31, 2024, the management of the Group performed impairment testing annually, which was further disclosed in note 18. In the opinion of directors of the Company, no impairment loss was recognised in profit or loss during the year ended December 31, 2024 (2023: Nil).

17. Right-of-Use Assets

	Leasehold land RMB'000	Leased property RMB'000	Total RMB'000
As at December 31, 2023			
Carrying amount	–	9,587	9,587
As at December 31, 2024			
Carrying amount	**9,668**	**7,324**	**16,992**

	Leasehold land RMB'000	Leased property RMB'000	Total RMB'000
For the year ended December 31, 2023			
Depreciation for the year	–	2,238	2,238
For the year ended December 31, 2024			
Depreciation for the year	**220**	**2,263**	**2,483**

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Expenses relating to short-term leases	**44**	76
Total cash outflow for leases	**31,864**	99
Additions to right-of-use assets	**9,888**	11,274

The Group leases property for its operations. Lease contracts are entered into for fixed term of 3 to 5 years (2023: 3 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificate for the leasehold land, the usage period of which is 30 years.

Save for disclosed hereinabove, there was no other outstanding lease commitments relating to offices.

17. Right-of-Use Assets (Continued)

Restrictions or covenants on leases

As at December 31, 2024, the Group's lease liabilities of RMB6,896,000 (2023: RMB9,074,000) are recognised with related right-of-use assets of RMB7,324,000 (2023: RMB9,587,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rental concessions

During the years ended December 31, 2024 and 2023, no rental concessions provided by the lessor.

18. Impairment Testing on Intangible Assets not Ready for Use

IPR&D, which is intangible assets not yet ready for use, is tested impairment annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the pipeline level.

Impairment review on the IPR&D of the Group has been conducted by the management of the Group by engaging an independent qualified professional valuer, 藍策亞洲(北京)企業管理諮詢有限公司 Valuelink Asia (Beijing) Enterprise Management Consulting Co., Ltd.* ("**ValueLink**"), to estimate the recoverable amount of the cash-generating unit at the end of each year. The address of ValueLink is Room 511, Jiasheng Center, No. A19, Dongsanhuan Road, Chaoyang District, Beijing, the PRC. For the purpose of impairment review, the recoverable amount of the cash-generating unit is determined based on value in use by using the discounted cash flow approach.

With the assistance of ValueLink, the management determined the recoverable amount of the above cash-generating unit based on the following approach and the key assumptions:

- The cash-generating unit will generate cash inflows starting from year 2027 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential till year 2032, and up to the end of the exclusivity for the product. The management considers the length of the forecast period is appropriate because it generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash generating unit longer than five years is justifiable and consistent with the industry practice;

- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;

* *English name for identification purpose only.*

18. Impairment Testing on Intangible Assets not Ready for Use (Continued)

- The discount rate used is pre-tax and reflects specific risks relating to the relevant products that would be considered by market participants; and

- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key parameters used for recoverable amount calculations are as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Expected annual growth rates till 2032	**18%~516%**	18%~516%
Expected market penetration rate	**0.6%~11.7%**	0.6%~11.7%
Pre-tax discount rate	**21.23%**	21.05%
Expected success rate of commercialization	**16.22%**	16.22%

The revenue growth rate for the forecast period and budgeted gross margin were determined by the management based on their expectation for market and product development.

Taking into account that the marketing features and technological advancements related to the indication have remained materially unchanged throughout the years ended December 31, 2024 and 2023, and given that the R&D process of IBC0966 has proceeded as planned, the directors of the Company anticipate that both the "Expected annual growth rates until 2032" and the "Expected market penetration rate" remained consistent throughout the years ended December 31, 2024 and 2023.

Based on the result of the IPR&D impairment testing, the recoverable amount of the cash-generating unit is significantly above the carrying amount. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

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19. Deposits, Prepayments and Other Receivables

	As at December 31, 2024 RMB'000	2023 RMB'000
Value added tax recoverable	**4,860**	999
Prepayments for research and development costs	**15,082**	8,303
Prepayments for listing expense	**–**	445
Deferred issue costs	**–**	5,221
Refundable fulfilment deposits	**2,500**	2,500
Interest receivables	**1,271**	729
Refundable tendering deposits	**960**	–
Others	**2,058**	559
	26,731	18,756
Analyzed as:		
Non-current	**2,500**	2,500
Current	**24,231**	16,256
	26,731	18,756

20. Inventories

	As at December 31, 2024 RMB'000	2023 RMB'000
Raw materials and consumables	**974**	818

21. Equity Instrument at FVTOCI/Financial Assets at FVTPL

	As at December 31, 2024 RMB'000	2023 RMB'000
Equity instrument at FVTOCI		
Unlisted equity investment *(note i)*	**910**	–
Financial assets at FVTPL		
Wealth management products *(note ii)*	**158,825**	–

Notes:

i. On May 13, 2024, Sunho (HK) Limited ("**Sunho HK**"), a subsidiary of the Company, agreed to subscribe for 1 Class B share of an unlisted equity investment with no voting rights and no other special right. The subscription price of each Class B share is HK$1,000,000 (equivalent to RMB910,000). The equity investment is held for long-term strategic purpose. The management of the Group has elected to designate the investment in equity instrument at FVTOCI as it believes that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding for long-term purpose.

ii. During the year ended December 31, 2024, Sunho HK subscribed three wealth management products issued by North Rock Fund SPC ("**North Rock**"), Prudent Wealth Global Fund SPC ("**Prudent Wealth**") and Vanguard Fund SPC ("**Vanguard**"), all of them are independent third parties, (collectively referred to as the "**Fund Issuers**") for amounts of United States dollar ("**USD**") 7,520,000, USD7,500,000 and USD7,500,000 (equivalent to RMB53,310,000, RMB52,845,000 and RMB52,670,000), respectively. The investment portfolio of three wealth management products mainly include short-term and high-quality monetary market instruments such as United States Treasury securities with remaining maturities of less than one year, cash or cash equivalents. These wealth management products are principal-guaranteed with anticipated annual return rate of 6%. As at December 31, 2024, Sunho HK has not pledged the investment in the wealth management products.

According to the subscription contracts, Sunho HK is entitled to the voluntary redemption right, which the Funds Issuers shall, within five business days, return the redemption price to bank accounts designated by Sunho HK. On February 24, 2025, the Group has exercised the voluntary redemption right to the Fund Issuers and the respective investment and returns were received in March 2025.

22. Other Financial Assets

Other financial assets represented a principal protected short-term investment with an original maturity of three months which carry interest at 5.65% per annum and were issued by an asset management company.

23. Time Deposits/Restricted Bank Deposits/Cash and Cash Equivalents

	As at December 31, 2024 RMB'000	2023 RMB'000
Time deposits *(note i)*	**219,468**	35,414
Restricted bank deposits *(note ii)*	**10,509**	–
Cash and cash equivalents *(note iii)*	**78,991**	125,074
	308,968	160,488

Notes:

i. Time deposits are held by the Company and are denominated in USD and carry fixed rates of 4.1% (2023: 5.7%) per annum with original maturity of six months for the years ended December 31, 2024.

ii. Restricted bank deposits are held by the Company and are denominated in USD and represent balances for the purpose of secured bank loans (note 25).

iii. Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group and the Company's short term cash commitments, which carry interest at market rates range from 0.05% to 4.60% (2023: 0.05% to 5.53%).

Cash and cash equivalents that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31, 2024 RMB'000	2023 RMB'000
USD	**74,356**	120,181

24. Trade and Other Payables

	As at December 31, 2024 RMB'000	2023 RMB'000
Payables for research and development costs	**1,022**	1,305
Accrued research and development costs	**2,236**	1,833
Accrued staff costs and benefits	**2,151**	2,561
Accrued listing expenses and issue costs	**–**	6,208
Other payables:		
Payable for equipment	**326**	1,137
Other payables to Nanjing Bode *(note)*	**–**	60,285
Accrued professional service fee	**1,572**	14
Others	**229**	564
Other tax payables	**65**	53
	7,601	73,960
Analyzed as:		
Current	**7,601**	73,960

The average credit period on purchases of materials and services of the Group is 10–60 days.

Note: The other payables to Nanjing Bode were non-trade in nature, interest free, unsecured and repayable on demand, and have been settled during the year ended December 31, 2024.

The following is an aging analysis of payables for research and development costs, presented based on the invoice dates at the end of each reporting period:

	As at December 31, 2024 RMB'000	2023 RMB'000
0–30 days	**2**	140
Over 90 days	**1,020**	1,165
	1,022	1,305

25. Bank Loans

	As at December 31, 2024 RMB'000	2023 RMB'000
Secured bank loans *(note i)*	**9,500**	–
Unsecured bank loans *(note ii)*	**24,800**	–
	34,300	–
The carrying amounts of the above bank loans are repayable based on scheduled repayment terms:		
Within one year	**34,300**	–

Notes:

i. The bank loans of RMB9,500,000 as at December 31, 2024 are secured, unguaranteed and carried fixed interest rate of 3.44%. Such bank loans are secured by bank deposits of USD1,460,000 (equivalent to approximately RMB10,509,000).

ii. The unsecured bank loans carried fixed interest rate ranging from 3.35% to 3.80% per annum.

26. Lease Liabilities

	As at December 31, 2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	**2,245**	2,178
Within a period of more than one year but not exceeding two years	**2,291**	2,245
Within a period of more than two years but not exceeding five years	**2,360**	4,651
	6,896	9,074
Less: Amounts due for settlement with 12 months shown under current liabilities	**(2,245)**	(2,178)
Amounts due for settlement after 12 months shown under non-current liabilities	**4,651**	6,896

The weighted average incremental borrowing rates applied to the lease liabilities was 3.00% per annum for the year ended December 31, 2024 (2023: 3.00%).

27. Financial Liabilities at FVTPL

On May 31, 2023, the Company entered into a convertible non-redeemable preferred shares ("**Series A Preferred Shares**") subscription agreement with two independent investors, pursuant to which the investors made a total investment of RMB210,000,000 in USD equivalent in the Company as consideration for subscription of the Company's 17,500,000 Series A Preferred Shares ("**Series A Financing**"). In July and August 2023, the total consideration had been fully settled.

On August 30, 2023, the Company entered into an investment agreement with an independent investor, pursuant to which the investor will subscribe for 5,015,000 Series A Preferred Shares at a total consideration of RMB60,180,000 in USD equivalent ("**Series A+ Financing**", collectively with "**Series A Financing**" as "**Pre-IPO Investments**"). On September 27, 2023, the total consideration had been fully settled.

The key terms of the Pre-IPO Investments are summarized as follows:

Conversion rights

The number of ordinary shares to which a holder shall be entitled upon conversion of each Series A Preferred Share shall be the quotient of the issue price divided by the then effective conversion price, which shall initially be the conversion price resulting in an initial conversion ratio for Series A Preferred Shares of 1:1 subject to adjustment for conversion price.

Any Series A Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid ordinary shares based on the then-effective conversion price.

Each Series A Preferred Share shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non assessable ordinary shares upon the earlier of (i) the IPO or (ii) the date specified by written consent or agreement of the holders representing at least 51% of the then outstanding Series A Preferred Shares.

Liquidation preferences

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company (the "**Liquidation Event**"), each holder of Pre-IPO Investments shall be entitled to receive the amount equal to higher of (i) the investment cost; and (ii) the pro rata share of liquidation assets.

27. Financial Liabilities at FVTPL (Continued)

Anti-dilution rights

If the Company increases its share capital at a price lower than the price paid by the investors of Pre-IPO Investments on a per share capital basis, the investors have a right to require the Company to issue more new share capital for nil consideration to the investors.

Presentation and classification

The Company elected to designate the Series A Preferred Shares as financial liabilities at FVTPL.

As at May 24, 2024, all Series A Preferred Shares were automatically converted into ordinary shares and the fair value of the Series A Preferred Shares were measured at the IPO issue price of HK$13.50 per share. The fair value change of the Series A Preferred Shares is charged to fair value change of Series A Preferred Shares in profit or loss.

The management considered that there is no credit risk change on the financial liabilities that drives the fair value change of the Series A Preferred Shares during the year ended December 31, 2024.

The movement of the financial liabilities at FVTPL are as follows:

	Series A Preferred Share RMB'000
As at January 1, 2023	–
Recognition of financial liabilities from Series A Financing	210,000
Recognition of financial liabilities from Series A+ Financing	60,180
Change in fair value	41,345
As at December 31, 2023	311,525
Change in fair value	(34,782)
Conversion upon IPO *(Note 28)*	(276,743)
As at December 31, 2024	–

28. Share Capital

The Company was incorporated in the Cayman Islands on May 14, 2021, with authorized share capital of USD100,000 divided into 100,000 shares with a par value of USD1.00 each. On the same date, 45,500 shares of the Company with nominal value of USD45,500 (equivalent to approximately RMB293,000) had been issued to the Company's shareholders.

As at August 30, 2023, the authorized share capital of the Company was re-designated and subdivided from US$100,000 divided into 100,000 Shares with a par value of US$1.00 each to US$100,000 divided into 177,485,000 Shares with a par value of US$0.0005 each and 22,515,000 Series A Preferred Shares with a par value of US$0.0005 each.

	Number of shares	Par value USD	Share capital USD'000
Authorized			
As at January 1, 2023	100,000	1	100
Share Subdivision on August 30, 2023	200,000,000	0.0005	100
Re-designated to Series A Preferred Shares	(22,515,000)	0.0005	(11)
As at December 31, 2023	177,485,000	0.0005	89
Converted from Series A Preferred Shares	22,515,000	0.0005	11
As at December 31, 2024	200,000,000	0.0005	100

28. Share Capital (Continued)

	Number of shares	Par value USD	Amount USD'000	Equivalent amount of ordinary shares RMB'000
Issued and fully paid				
As at January 1, 2023	50,000	1	50	322
As at date of Share Subdivision (August 30, 2023) and December 31, 2023	100,000,000	0.0005	50	322
Reclassification from financial liabilities at FVTPL *(note i)*	22,515,000	0.0005	11	80
Issue of shares upon IPO *(note ii)*	34,151,800	0.0005	17	122
As at December 31,2024	156,666,800	0.0005	78	524

Notes:

i. Upon IPO, each Series A Preferred Share was automatically converted into ordinary share based on the conversion price of 1:1 without the payment of any additional consideration. The Series A Preferred Shares meet the definition of equity as the Group has no contractual obligation to deliver cash or a variable number of shares. Therefore, the Series A Preferred Shares were reclassified from financial liabilities to equity at their fair value, resulting in an increase of share capital of RMB80,000 and an increase of share premium of RMB276,663,000.

ii. On May 24, 2024, 34,151,800 ordinary shares with par value of USD0.0005 each were issued at HK$13.50 by way of IPO, resulting in an increase of the share capital of USD17,000 (equivalent to approximately HK$134,000 or RMB122,000) and an increase of share premium of approximately HK$460,915,000 (equivalent to approximately RMB419,654,000).

29. Share-Based Payment Transactions

Restricted Share Unit Plan

The purpose of the Employee Share Incentive Plan ("**Restricted Share Unit/RSU Plan**") was to provide incentives to employees and directors in order to promote the success of the business of the Group. To implement the RSU Plan, the Company used employee stock ownership platforms (the "**Shareholding Platforms**"), namely Sunho Stellar Investments Limited which was established in April 2021 to hold the Company issued 4,500 shares, representing 9% of the shares of the Company.

Under the RSU Plan, eligible employees, directors and consultants shall be nominated as the beneficiary owner of the Shareholding Platforms.

On May 6, 2023, the employees of the Group and director of the Company were granted a total of 3,000 shares of the Shareholding Platforms, representing 6% of the shares of the Company.

For the RSUs granted to the employees of the Group and directors of the Company, 20% portion of RSUs will be vested on each of the first, second, third, forth and fifth anniversary of the date of completion of initial public offering ("**IPO-based RSU**").

On May 16, 2023, the Shareholding Platform transferred 1,500 Shares, representing 3% of the shares of the Company, to Sunho Wisdom, controlled by Mr. Zhang, at par value.

1,500 shares transferred to Sunho Wisdom did not attached any condition and were fully vested during the year ended December 31, 2023 ("**Wisdom RSU**").

The number of RSU disclosed below has been retrospectively adjusted to reflect the Share Subdivision as described in note 28.

29. Share-Based Payment Transactions (Continued)

Restricted Share Unit Plan (Continued)

Set out below are details of the movements of equity-settled share-based transactions during the years ended December 31, 2024 and 2023:

	As at January 1, 2023	Granted during the year	Forfeited during the year	Vested during the year	As at December 31, 2023
IPO-based RSU	–	6,000,000	–	–	6,000,000
Wisdom RSU	–	3,000,000	–	(3,000,000)	–
	–	9,000,000	–	(3,000,000)	6,000,000
Directors	–	3,500,000	–	(3,000,000)	500,000
Employees	–	5,500,000	–	–	5,500,000
	–	9,000,000	–	(3,000,000)	6,000,000
Weighted average exercise price (USD)	–	–	–	–	–

	As at January 1, 2024	Granted during the year	Forfeited during the year	Vested during the year	As at December 31, 2024
IPO-based RSU	**6,000,000**	**–**	**–**	**–**	**6,000,000**
Directors	**500,000**	**–**	**–**	**–**	**500,000**
Employees	**5,500,000**	**–**	**–**	**–**	**5,500,000**
	6,000,000	**–**	**–**	**–**	**6,000,000**
Weighted average exercise price (USD)	**–**	**–**	**–**	**–**	**–**

29. Share-Based Payment Transactions (Continued)

Restricted Share Unit Plan (Continued)

Fair value of RSUs granted

Back-solve method were used to determine the underlying equity fair value of the Company and Binomial Option Pricing Model was used to determine the fair value of the RSU granted. The fair value of shares at grant date was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, ValueLink, whose address is disclosed in note 18. The fair value of RSU at grant date was determined by taking into account of the fair value of the equity of the Company amounting to RMB9.78 per share and the purchase price of the RSU is nil. The inputs into the model were as follows:

	May 2023
Expected volatility	33.25%
Risk-free rate	2.34%
Expected dividend yield	0%

The Group recognised the total expense of RMB29,325,000 for the year ended December 31, 2023 in relation to RSUs transferred to Mr. Zhang.

On May 24, 2024, the Company completed the IPO, therefore, the Group recognised total expense of RMB28,348,000 in relation to IPO-based RSU during the year ended December 31, 2024.

Other Share Incentive Plan

Dr. Yin, the chief executive officer and chief scientific officer of the Group, had been granted 5% equity interest of Sunho (China) Biopharmaceutical in November 2020 for his contribution, 50% of granted shares would be vested from the first anniversary year from the grant date, 25% of granted shares would be vested from the second and third anniversary year from the grant date. The fair value of aforementioned shares at grant date was RMB10,878,000. In 2021, the equity interest granted to Dr. Yin had been replaced as the issued shares of the Company ("**Share Replacement**"), the Share Replacement had no material impact on neither the vesting conditions nor fair value. Discounted cash flows method was used to determine the fair value of the shares granted. The Group recognised expense of Nil (2023: RMB756,000) for the year ended December 31, 2024 in relation to shares granted.

29. Share-Based Payment Transactions (Continued)

Other Share Incentive Plan (Continued)

The key parameters used in discounted cash flows method are as follows:

	As at November 30, 2020
Expected annual growth rates till 2032	3%~516%
Expected market penetration rate	0.1%~14.8%
Terminal growth rate	2%
Discount rate	17.5%
Expected success rate of commercialization	4.6%~9.2%

30. Related Party Transactions

Save for disclosed in Note 29, the Group has the following transactions and balances with the related parties during the years ended December 31, 2024 and 2023.

(a) Name and relationship with related party

The following company is a related party of the Group that had transactions with the Group during the year ended December 31, 2023.

Name of a related party	Relationship
Nanjing Bode *(note)*	Controlled by Mr. Zhang

Note: Nanjing Bode ceased to be a related party to the Group since July 6, 2023. Consequently, the transactions disclosed below only shows the transactions occurred before July 6, 2023.

(b) Related party transactions

Details of the transactions with related party are set out below:

	Year ended December 31, 2023 RMB'000
Interest expenses on borrowing from Nanjing Bode	164
Interest expenses on lease liabilities of Nanjing Bode	44

30. Related Party Transactions (Continued)

(c) Related party balances

As at December 31, 2024 and 2023, the Group has no outstanding balances with related party.

(d) Compensation of key management personnel

The remuneration of the directors of the Company and key management of the Group during the years ended December 31, 2024 and 2023 were as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Salaries and other benefits	**3,013**	2,346
Discretionary bonus *(note)*	**98**	360
Retirement benefit scheme contributions	**67**	76
Share-based payments	**28,348**	30,081
	31,526	32,863

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

31. Capital Commitment

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
— Leasehold land and equipment	**23,333**	18,610

32. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years ended December 31, 2024 and 2023.

The capital structure of the Group consists of net debts, which includes bank loans disclosed in note 25, lease liabilities disclosed in note 26, financial liabilities at FVTPL disclosed in note 27, net of cash and cash equivalents, restricted bank deposits and time deposits disclosed in note 23, financial assets at FVTPL disclosed in note 21 and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

33. Financial Instruments

(a) Categories of financial instruments

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Amortised cost	**313,699**	213,296
Equity instrument at FVTOCI	**910**	–
Financial assets at FVTPL	**158,825**	–
Financial liabilities		
Amortised cost	**37,449**	63,305
Financial liabilities at FVTPL	**–**	311,525

33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include refundable fulfilment deposits, time deposits, cash and cash equivalents, restricted bank deposits, other receivables, equity instrument at FVTOCI, financial assets at FVTPL, trade and other payables, bank loans and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the manner in which the Group manages and measures the risks.

(i) Currency risk

Certain financial assets and liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Assets		
USD	**304,333**	155,595
HK$	**910**	–
Liabilities		
USD	**(49)**	(5,869)

33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in RMB against the relevant foreign currencies, with which the Group may have a material exposure. 5% (2023: 5%) represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% (2023: 5%) change in foreign currency rate. A negative number below indicates an increase in loss or a decrease in other comprehensive income where RMB strengthens 5% against the relevant foreign currency. For a 5% weakening of RMB against the relevant foreign currency, there would be an equal and opposite impact on loss or other comprehensive income for the year.

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
USD		
Impact on loss for the year	**(15,214)**	(7,486)
HK$		
Impact on other comprehensive income	**(46)**	–

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities and bank loans. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group are exposed to other price risk arising from unlisted equity investment measured at FVTOCI.

The Group considers that the exposure to equity price risk arising from unlisted equity investment is insignificant because the number of the share held by Group is relatively small.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of cash and cash equivalents, time deposits, restricted bank deposits, refundable fulfilment deposits, and other receivables disclosed in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Cash and cash equivalents, time deposits and restricted bank deposits

The credit risk on cash and cash equivalents, time deposits and restricted bank deposits is limited because the counterparties are reputable financial institutions. The Group assessed 12m ECL for cash and cash equivalents, time deposits and restricted bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on cash and cash equivalents, time deposits and restricted bank deposits is considered to be insignificant and therefore no loss allowance was recognised.

33. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Refundable fulfilment deposits and other receivables

For refundable fulfilment deposits and other receivables, the management makes periodic individual assessment on the recoverability of refundable fulfilment deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2024 and 2023, the Group assessed the ECL for refundable fulfilment deposits and other receivables are insignificant and thus no loss allowance is recognised.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average effective interest rate %	Within 1 year or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As at December 31, 2024						
Trade and other payables	–	3,149	–	–	3,149	3,149
Bank loans	3.48	34,900	–	–	34,900	34,300
Lease liabilities	3.00	2,400	2,378	2,378	7,156	6,896
		40,449	2,378	2,378	45,205	44,345
As at December 31, 2023						
Trade and other payables	–	63,305	–	–	63,305	63,305
Financial liabilities at FVTPL	–	311,525	–	–	311,525	311,525
Lease liabilities	3.00	2,400	2,400	4,756	9,556	9,074
		377,230	2,400	4,756	384,386	383,904

33. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with general accepted pricing models.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ Financial liabilities	Fair value as at December 31, 2024 RMB'000	2023 RMB'000	Fair value hierarchy	Valuation Techniques and key inputs
Unlisted equity investment at FVTOCI	**910**	–	Level 2	Quoted recent transaction price
Wealth management products at FVTPL	**158,825**	–	Level 2	Net asset value quoted by financial institutions
Financial liabilities at FVTPL	**–**	311,525	Level 3	Discounted cash flow method — the key input is discount rate; Binomial option pricing model — the key inputs are: IPO probability, risk free, interest rate, volatility and dividend yield

There were no transfers between level 1 and level 2 during the years ended December 31, 2024 and 2023.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

34. Retirement Benefit Plans

The employees of the Group in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The PRC entities are required to contribute, based on a certain percentage of the payroll costs of their employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss for the year ended December 31, 2024 are RMB1,569,000 (2023: RMB1,287,000).

35. Particulars of Subsidiaries

As at December 31, 2024 and 2023, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operations/kind of legal entity	Issued share/ registered capital	Equity interest attributable to the Company		Principal activities
			As at December 31, 2024	2023	
Directly held					
Sunho bio Investments	The BVI/ June 1, 2021/ limited liability company	USD1	**100%**	100%	Investment holding
Indirectly held					
Sunho HK	Hong Kong/ July 9, 2021/ limited company	HK$1	**100%**	100%	Investment holding
Sunho Pharmaceutical Technology (Zhejiang Anji) Co., Ltd.* (盛禾醫藥科技(浙江安吉)有限公司)	The PRC/ December 30, 2021/ limited liability company	RMB189,000,000	**100%**	100%	Research and development of immune drugs
Sunho (China) Biopharmaceutical	The PRC/ April 2, 2018/ limited liability company	RMB187,682,553	**100%**	100%	Research and development of immune drugs
Nanjing Sunho Medical Technology Co., Ltd.* (南京盛禾醫學技術有限公司)	The PRC/ August 13, 2020/ limited liability company	RMB5,000,000	**100%**	100%	Research and development of immune drugs
Sunho (Zhejiang) Biopharmaceutical Co., Ltd.* (盛禾(浙江)生物製藥有限公司)	The PRC/ March 17, 2023/ limited liability company	RMB30,000,000	**100%**	100%	Research and development of immune drugs

* *English name for identification purpose only*

None of the subsidiaries has issued any debt securities as at December 31, 2024 and 2023.

36. Reconciliation of Assets and Liabilities Arising from Financing Activities

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to a related party RMB'000	Financial liabilities at FVTPL RMB'000	Deferred issue costs RMB'000	Other payables RMB'000	Lease liabilities RMB'000	Bank loans RMB'000	Total RMB'000
As at January 1, 2023	28,178	–	(503)	47	–	–	27,722
Financing cash flow	23,000	270,180	(3,482)	(34,515)	(23)	–	255,160
Non-cash changes:							
Finance costs	–	–	–	–	201	–	201
New lease entered	–	–	–	–	11,274	–	11,274
Reclassification of amounts due to Nanjing Bode	(51,342)	–	–	53,720	(2,378)	–	–
Interest expenses on borrowing from Nanjing Bode	164	–	–	327	–	–	491
Accrued issued cost	–	–	(1,236)	1,236	–	–	–
Loss from fair value change of financial liabilities at FVTPL	–	41,345	–	–	–	–	41,345
As at December 31, 2023	**–**	**311,525**	**(5,221)**	**20,815**	**9,074**	**–**	**336,193**
Financing cash flow	**–**	**–**	**(23,634)**	**(20,815)**	**(2,400)**	**33,603**	**(13,246)**
Non-cash changes:							
Finance costs	**–**	**–**	**–**	**–**	**222**	**697**	**919**
Conversion of Series A Preferred Shares upon IPO	**–**	**(276,743)**	**–**	**–**	**–**	**–**	**(276,743)**
Issue cost incurred	**–**	**–**	**28,855**	**–**	**–**	**–**	**28,855**
Gain from fair value change of financial liabilities at FVTPL	**–**	**(34,782)**	**–**	**–**	**–**	**–**	**(34,782)**
As at December 31, 2024	**–**	**–**	**–**	**–**	**6,896**	**34,300**	**41,196**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

37. Statement of Financial Position and Reserves of the Company

	As at December 31, 2024 RMB'000	2023 RMB'000
Non-current asset		
Investment in a subsidiary *(note i)*	**220,385**	192,037
	220,385	192,037
Current assets		
Other receivables	**1,271**	6,356
Amounts due from subsidiaries	**7**	–
Time deposits *(note 23)*	**219,468**	35,414
Restricted bank deposits *(note 23)*	**10,509**	–
Cash and cash equivalents	**60,739**	72,854
	291,994	114,624
Current liabilities		
Other payables	**139**	6,284
Amounts due to a subsidiary *(note ii)*	**29,661**	16,012
Financial liabilities at FVTPL	**–**	311,525
	29,800	333,821
Net current assets (liabilities)	**262,194**	(219,197)
Total assets less current liabilities	**482,579**	(27,160)
Net assets (liabilities)	**482,579**	(27,160)
Capital and reserves		
Share capital *(note 28)*	**524**	322
Reserves	**482,055**	(27,482)
Total equity (deficit)	**482,579**	(27,160)

Notes:

i. Investment in a subsidiary is the investment in Sunho bio Investments.

ii. The amounts due to a subsidiary is mainly related to payables to Sunho (China) Biopharmaceutical for listing expenses. All these amounts are unsecured, interest free and repayable on demand.

37. Statement of Financial Position and Reserves of the Company (Continued)

	Capital reserve RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2023	9,660	–	679	(795)	9,544
Loss and total comprehensive expense for the year	–	–	–	(67,107)	(67,107)
Recognition of equity-settled share-based payments expenses	–	–	30,081	–	30,081
Reclassification of vested equity-settled share-based payments	30,760	–	(30,760)	–	–
As at December 31, 2023	**40,420**	**–**	**–**	**(67,902)**	**(27,482)**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(186,273)**	**(186,273)**
Issue of shares upon IPO	**–**	**419,654**	**–**	**–**	**419,654**
Share issue costs for IPO	**–**	**(28,855)**	**–**	**–**	**(28,855)**
Automatic conversion of Series A Preferred Shares upon IPO	**–**	**276,663**	**–**	**–**	**276,663**
Recognition of equity-settled share-based payments expenses	**–**	**–**	**28,348**	**–**	**28,348**
As at December 31, 2024	**40,420**	**667,462**	**28,348**	**(254,175)**	**482,055**

38. Events after the Reporting Period

Except for disclosed elsewhere in notes to the consolidated financial statements, there are no other material subsequent events undertaken by the Group after December 31, 2024 and up to the date of approval of this consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years [Note] is set out below:

	For the year ended December 31,		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Other income	**9,485**	21,005	13,795
Other expenses	**–**	(70)	(1,258)
Other Gains and Losses, Net	**38,204**	(49,615)	97
R&D Expenses	**(71,117)**	(43,041)	(53,171)
Administrative Expenses	**(32,276)**	(40,701)	(5,558)
Listing Expenses	**(25,842)**	(19,587)	(819)
Finance Costs	**(919)**	(692)	(5,074)
Loss before tax	**(79,965)**	(132,701)	(51,988)
Income tax expense	**–**	–	–
Loss and total comprehensive expense for the year	**(79,965)**	(132,701)	(51,988)
Loss per share			
— Basic and diluted (RMB)	**(0.62)**	(1.43)	(0.57)

Note:

The Shares were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on May 24, 2024.

Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings.

"AGM"	the annual general meeting of the Company to be held on Friday, 27 June, 2025
"Articles of Association"	the articles of association of our Company (as amended, supplemented or otherwise modified from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company", "our Company" or "we"	Sunho Biologics, Inc. (盛禾生物控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on May 14, 2021 and the issued Shares of which are listed on the Stock Exchange (Stock Code: 2898)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhang, Sunho Fortune, Innovalue Investments, Sunho Wisdom, No5XJR and Sunho Stellar
"Core Products"	namely, IAH0968, IAP0971 and IAE0972
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company

Definitions

"FDA"	U.S. Food and Drug Administration
"FVTPL"	fair value through profit or loss
"GMP"	good manufacturing practice, a system for ensuring that products are consistently produced and controlled according to quality standards, which is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. It is also the practice required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of pharmaceutical products
"Group"	collectively, the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application, or CTA, in China
"Independent Third Party(ies)"	any person(s) or entity(ies) who/which is not a connected person of our Company within the meaning of the Listing Rules
"Innovalue Investments"	Innovalue Investments Limited, a company incorporated in the BVI with limited liability on April 8, 2021 and one of the Controlling Shareholders
"Listing Date"	May 24, 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

Definitions

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nanjing Bode"	Nanjing Bode Biological Pharmaceutical Co., Ltd.* (南京博德生物製藥有限公司), a company established in the PRC with limited liability
"Nanjing Sunho"	Nanjing Sunho Medical Technology Co., Ltd (南京盛禾醫學技術有限公司), a limited liability company established under the laws of the PRC on August 13, 2020 and an indirect wholly-owned subsidiary of our Company
"Nanjing Yoko"	Nanjing Yoko Pharmaceutical Co., Ltd. (南京優科生物醫藥股份有限公司), a joint stock company established in the PRC in February 2002
"Nomination Committee"	the nomination committee of the Board
"No5XJR"	No5XJR Limited, a company incorporated in the BVI with limited liability on April 14, 2021 and one of the Controlling Shareholders
"PRC" or "China" or "Mainland China"	the People's Republic of China, which for the purpose of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	prospectus of the Company dated May 16, 2024
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board

* *English name for identification purpose only*

Definitions

"Reporting Period"	the year ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Scheme"	the RSU scheme approved and adopted by the Company on August 2, 2023
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0005 each
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Sunho bio Investments"	Sunho bio Investments Limited, a company incorporated in the BVI with limited liability on June 1, 2021 and an indirect wholly-owned subsidiary of our Company
"SunHo (China) BioPharmaceutical"	SunHo (China) BioPharmaceutical Co. Ltd (盛禾(中國)生物製藥有限公司), a limited liability company established under the laws of the PRC on April 2, 2018 and an indirect wholly-owned subsidiary of our Company
"Sunho Fortune"	Sunho Fortune Investments Limited, a company incorporated in the BVI with limited liability on April 9, 2021 and one of the Controlling Shareholders
"Sunho HK"	Sunho (HK) Limited, a limited company incorporated under the laws of Hong Kong on July 9, 2021 and an indirect wholly-owned subsidiary of our Company
"Sunho Pharmaceutical Technology"	Sunho Pharmaceutical Technology (Zhejiang Anji) Co., Ltd. (盛禾醫藥科技(浙江安吉)有限公司) (formerly known as Sunho Pharmaceutical Technology (Nanjing) Co., Ltd. (盛禾醫藥科技(南京)有限公司)), a company established under the laws of the PRC on December 30, 2021 and an indirect wholly-owned subsidiary of our Company

Definitions

"Sunho Stellar"	Sunho Stellar Investments Limited, a company incorporated in the BVI with limited liability on April 9, 2021, our share incentive platform and one of the Controlling Shareholders
"Sunho Wisdom"	Sunho Wisdom Investments Limited, a company incorporated in the BVI with limited liability on April 14, 2021 and one of the Controlling Shareholders
"SunHo (Zhejiang) BioPharmaceutical"	SunHo (Zhejiang) BioPharmaceutical Co., Ltd. (盛禾(浙江)生物製藥有限公司), a limited liability company established under the laws of the PRC on March 17, 2023 and an indirect wholly-owned subsidiary of our Company
"Treasury Share(S)"	has the meaning ascribed to it under the Listing Rules
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent