华昊中天
Biostar

北京華昊中天生物醫藥股份有限公司
Beijing Biostar Pharmaceuticals Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2563

ANNUAL REPORT 2024

Contents

Company Profile

Beijing Biostar Pharmaceuticals Co., Ltd. is a synthetic biology-driven biopharmaceutical company committed to developing innovative drugs in oncology. Since its inception in 2002, the Company has successfully developed three core technology platforms that focus on the R&D of microbial metabolite new drugs. As of now, the Company had one commercialized product and 19 other pipeline product candidates. The Company's Core Product and 16 out of 19 product candidates are based on a single active pharmaceutical ingredient, namely, Utidelone, which was represented in three formulations of its product portfolio. The Company's current clinical trials and programs of the Core Product and product candidates cover indications of advanced breast cancer (encompassing stage IIIB and IIIC breast cancers that are initially inoperable without distant metastasis, as well as all stage IV breast cancers), early breast cancer neoadjuvant, advanced non-small cell lung cancer (NSCLC), gastric cancer, esophageal cancer, breast cancer brain metastasis, lung cancer brain metastasis, glioblastoma, and other solid tumors.

Utidelone Injection received approval from the NMPA in 2021 for its lead indication, the treatment of relapsed or metastatic breast cancer patients who have received at least one anthracycline- or taxane-containing chemotherapy regimen in combination with capecitabine. The approval of Utidelone Injection in 2021 ended a nearly two-decade absence of independently developed domestic Class 1 innovative chemotherapy drugs in China. As of now, Utidelone Injection was the only approved chemotherapy drug developed using synthetic biology technology, and it was also the sole microtubule inhibitor oncology drug with a new molecular structure that was approved worldwide since 2010. Based on its distinct β-tubulin binding site as a microtubule stabilizer (similar to taxanes) and unique chemical structure, Utidelone possesses various characteristics such as broad anti-cancer spectrum, low hematological toxicity, efficacy against multidrug-resistant tumors, reduced likelihood of developing drug resistance, and the ability to cross the blood-brain barrier. Additionally, Utidelone is produced by fermentation of genetical engineering bacteria, representing an application of synthetic biology.

Leveraging its synthetic biology technology platforms, the Company has also independently developed an oral formulation of Utidelone, namely Utidelone Capsule, which is currently under phase II/III clinical trials. Additionally, the Company has been consistently developing other formulations of Utidelone as well as other active pharmaceutical ingredients, such as BG22, BG18 and BG44, which are in early development stages.

Corporate Information

BOARD

Executive Directors

Dr. Tang Li *(Chairperson, Executive Director, Chief Scientific Officer and Chief Marketing Officer)*
Dr. Qiu Rongguo
Mr. Zhang Cheng
Dr. Guan Jin

Non-executive Directors

Mr. Tang Jin
Ms. Dai Xuefen *(appointed on May 23, 2025)*

Independent Non-executive Directors

Dr. Meng Songdong
Mr. Shiu Shu Ming *(appointed on May 23, 2025)*
Dr. Ye Chengang *(appointed on May 23, 2025)*

AUDIT COMMITTEE

Mr. Shiu Shu Ming *(Chairperson)*
Dr. Meng Songdong
Mr. Tang Jin

NOMINATION COMMITTEE

Dr. Meng Songdong *(Chairperson)*
Mr. Shiu Shu Ming
Dr. Tang Li

REMUNERATION AND ASSESSMENT COMMITTEE

Dr. Ye Chengang *(Chairperson)*
Dr. Meng Songdong
Dr. Qiu Rongguo

STRATEGY COMMITTEE

Dr. Tang Li *(Chairperson)*
Dr. Qiu Rongguo
Dr. Guan Jin

JOINT COMPANY SECRETARIES

Mr. Liu Kailin
Mr. Chan Yik Pun

AUTHORISED REPRESENTATIVES

Dr. Tang Li
Mr. Chan Yik Pun

AUDITOR

Daxin Global (HK) CPA Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Unit 1101, 11/F
29 Austin Road, Tsim Sha Tsui
Kowloon
Hong Kong

LEGAL ADVISER

Tian Yuan Law Firm LLP
Suites 3304–3309, 33/F
Jardine House, One Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

In Hong Kong:
China Construction Bank (Asia) Corporation Limited

In Mainland China:
Bank of China Limited (Beijing East Highland Sub-branch)
China Construction Bank Corporation (Chengdu Gaoxin West branch)

Corporate Information (Continued)

REGISTERED OFFICE

Room 1202B, 12/F, Building 3
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Beijing Economic-Technological Development Area
Beijing
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

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Wanchai, Hong Kong

STOCK CODE

2563

COMPANY'S WEBSITE

www.biostar-pharm.com

LISTING DATE

October 31, 2024

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2024	2023	YOY
	RMB'000	RMB'000	CHANGE
Revenue	**71,866**	66,635	7.9%
Gross profit	**61,086**	46,825	30.5%
Loss before taxation	**(143,776)**	(189,644)	(24.2%)
Loss for the year attributable to equity shareholders of the Company	**(143,776)**	(189,644)	(24.2%)
Loss per share	**(0.41)**	(0.54)	(24.1%)
Cash and cash equivalents, restricted bank balances and fixed deposits with banks	**466,636**	340,405	37.1%
R&D expenses	**(116,292)**	(126,537)	(8.1%)

Chairman's Statement

Dear Shareholders and Investors,

On behalf of the Company and the Board, I would like to express our most sincere gratitude to all the shareholders and investors who have always trusted, cared about and supported the development of Biostar. Looking back on 2024, it marked a milestone in the development history of Biostar. Leveraging on our unique synthetic biology technology platforms as well as our advantages in multiple dimensions such as innovative research and development, production and commercialization, we have won the favor and strong support from the capital market and successfully listed on the Hong Kong Stock Exchange. Driven by innovation, Biostar has actively responded to industry challenges and achieved great development in aspects such as new drug research and development, clinical development, commercialization, corporate operation and internal management. We have also made breakthroughs in our pipeline development with remarkable achievements in the process of commercialization and globalization strategy, further comprehensively enhancing the Company's global core competitiveness.

I. FORGING CORE COMPETITIVENESS WITH INNOVATION IN RESEARCH AND DEVELOPMENT

In 2024, in line with its mission of "committed to original new drugs for the benefit of cancer patients", Biostar adhered to the innovation-driven development strategy by continuously increasing its investment in research and development, with an aim to become a global leader in the research and development of innovative anti-tumor drugs using synthetic biology. Our core products, namely Utidelone Injection and Utidelone Capsule, have made remarkable progress in the clinical studies for multiple indications.

Utidelone Injection: In March 2024, FDA granted orphan drug designation to Utidelone Injection for breast cancer brain metastasis; in July, FDA approved the phase II pivotal clinical trial of Utidelone Injection for breast cancer brain metastasis; in September, CDE approved the phase II pivotal clinical trial of Utidelone Injection for lung cancer brain metastasis; in October, the mid-term researcher conference in respect of the phase III clinical trial of Utidelone Injection for breast cancer neoadjuvant was held successfully; and in December, the phase II registered clinical study of PD-1 in combination with Utidelone for the first-line treatment of advanced gastric in the PRC was completed.

Utidelone Capsule: In March 2024, FDA granted orphan drug designation to Utidelone Capsule for gastric cancer; in July, the enrollment of phase I clinical study of Utidelone Capsule for patients with advanced solid tumor in the U.S. was completed; and in December, the phase II/III international multi-center clinical trial plan of Utidelone Capsule for gastric cancer was recognized after communication and exchanges with FDA and CDE. In terms of the clinical study in the PRC, in June, the enrollment of the study related to the safety and tolerability, pharmacokinetic profile and bioavailability of Utidelone Capsule for advanced solid tumor was completed; and in July, the first patient for the pivotal clinical study Utidelone Capsule in combination with capecitabine for the treatment of advanced breast cancer was enrolled.

Other pipelines are progressing steadily. Various non-clinical studies on the ADC project, BG22, BG18 and other projects with Utidelone as effective payloads have demonstrated good prospects and potential.

In terms of academic achievements, we have unveiled multiple clinical research findings at the 2024 American Society of Clinical Oncology (ASCO) and Chinese Society of Clinical Oncology (CSCO) annual meetings, further elevating the Company's academic influence and brand recognition within the industry. The progress in the field of new drug development also provides robust support for our future commercialization efforts in the global market.

II. PARTNERING FOR COMMERCIALIZATION AND MARKET EXPANSION

The Company recorded a net loss of RMB143.8 million for the year ended December 31, 2024, as compared to a net loss of RMB189.6 million for the year ended December 31, 2023. This improvement is primarily attributed to the increase of sales revenue by RMB5.3 million or 7.9% in 2024 as compared to 2023, while selling and distribution expenses decreased by RMB33.5 million or 35.1% in 2024 as compared to 2023. The cost of sales decreased by approximately 45.6%, primarily driven by a reduction in unit costs resulting from optimized production processes.

We are actively seeking collaborations with outstanding domestic and international partners to jointly advance the market promotion and commercialization of our products. We have entered into a strategic cooperation agreement with Baheal Medical, a leading domestic commercialization company. Pursuant to which, we will not only secure substantial upfront and milestone payments, but will also accelerate the market promotion and commercialization process of our Utidelone product by leveraging the market expertise and extensive channel resources of Baheal Medical, enabling more patients to benefit from our innovative therapies.

Since our listing, we have garnered significant attention and support from numerous partners and investment institutions. Moving forward, we will continue to uphold the principles of openness, collaboration, and mutual benefit, working closely with our partners and investors to drive the sustainable and healthy growth of the Company.

III. STRENGTHENING INTELLECTUAL PROPERTY PROTECTION TO BUILD COMPETITIVE EDGES

Intellectual property is a critical pillar for fostering innovation and development within enterprises. We place great emphasis on the protection and management of intellectual property rights, achieving notable milestones. In 2024, we secured authorization for 17 new PCT patents, covering areas such as genetically engineered bacteria, crystals, and novel dosage forms of our Core Product. These patents not only further consolidate our leadership in the research and development of innovative anti-tumor drugs, but also establish robust intellectual property edges to support our future growth. Furthermore, we obtained 13 new trademark authorizations, further enhancing our brand influence and market competitiveness.

IV. DEEPENING R&D EFFORTS TO EXPANDING GLOBAL PRESENCE

Biostar will remain steadfast in its commitment to the field of innovative anti-tumor drugs, leveraging its strong foundation in China while strategically expanding its global footprint. We will continue to increase investments to accelerate the development and commercialization of our products in international markets.

In terms of innovative R&D, we will further optimize our R&D pipeline, prioritizing major and unmet clinical needs to advance the development of more innovative therapies. Additionally, we will strengthen collaboration and knowledge exchange with leading domestic and international research institutions and medical centers, continuously enhancing our R&D capabilities and fostering innovation.

In terms of our globalization strategy, we will continue to prospectively deepen our global business presence by leveraging business development initiatives to accelerate our expansion into overseas markets in collaboration with our partners. We will persist in advancing multiple global multi-center clinical studies to expedite the registration and marketing process of innovative drugs worldwide.

Regarding internal management, we will further improve our corporate governance structure and internal control systems, enhance our talent development initiatives, and strengthen our corporate culture to provide robust support for the sustained and healthy growth of the Company.

However, we also clearly recognize that the innovative pharmaceutical industry is highly competitive, with significant R&D risks and a complex and evolving policy environment. Looking ahead to 2025, we will continue to focus on innovation, accelerate our R&D processes, and enhance product quality and competitiveness. We will strengthen deep collaborations with our partners to achieve resource sharing and complementary advantages while proactively adapting to policy changes and optimizing our business layout to ensure the Company's sustainable development.

Finally, I would like to express my heartfelt gratitude to our shareholders and investors for their trust and support. Let us work hand in hand, strive together, and create an even brighter future for Biostar!

Dr. Tang Li
Chairperson, Executive Director, chief scientific officer and chief marketing officer

BUSINESS REVIEW

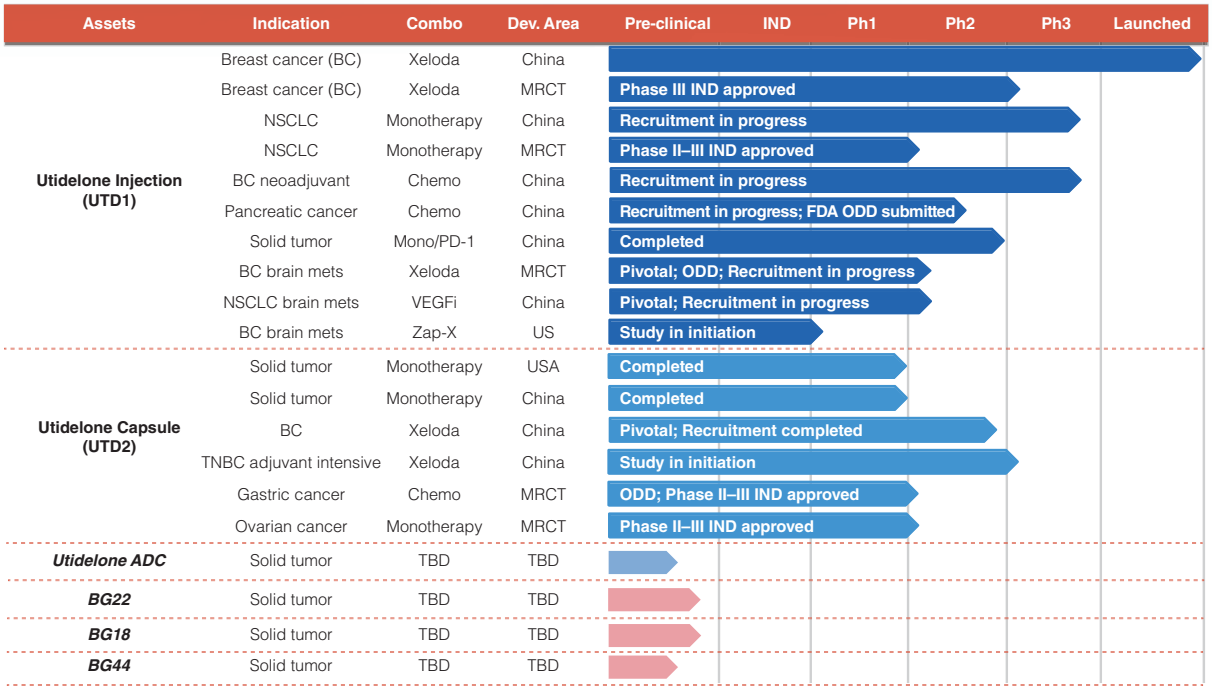
As of the date of this report, the Company continued to make significant progress in various areas, including advancement of R&D pipeline, marketing strategic cooperation, publication of academic results, and intellectual property layout, and reached major milestones and made achievements as follows:

1. Advancement of R&D pipeline

We are a synthetic biology-driven biopharmaceutical company committed to developing innovative drugs in oncology. We have successfully developed three core technology platforms which focus on the R&D of microbial metabolite new drugs. As of the end of the current Reporting Period, we had one commercialized product and 19 R&D pipeline projects. Our core product, Utidelone Injection, received approval from the NMPA in 2021 for its indication, the treatment of relapsed or metastatic breast cancer patients who have received at least one anthracycline- or taxane-containing chemotherapy regimen in combination with capecitabine. This ended a nearly two-decade absence of independently- developed domestic Class 1 innovative chemotherapy drugs in China. As of the end of the current Reporting Period, Utidelone Injection was the only approved chemotherapy drug developed using synthetic biology technology, and it was also the sole microtubule inhibitor oncology drug with a new molecular structure that was approved worldwide since 2010.

Given the properties and advantages of Utidelone, such as the ability to cross the blood-brain barrier, broad anti-cancer spectrum, high oral bioavailability, low hematological toxicity and the ability to overcome multidrug resistance mechanisms, during the current Reporting Period, we vigorously made arrangements for the expansion of new indications of Utidelone, the clinical development of its oral formulation and other aspects both domestically and internationally. For Utidelone Injection, two phase III registrational clinical studies for non-small cell lung cancer and breast cancer neoadjuvant are progressing smoothly. Two pivotal registrational clinical trials for breast cancer and lung cancer brain metastasis have been approved and commenced in the U.S. and China respectively. We have completed the phase II clinical study for solid tumors, and obtained pleasing clinical data in, among other cancers, gastric and esophageal cancers. Such data will guide our phase III studies at a later stage. Meanwhile, we have deployed new R&D pipelines, including the phase II clinical study for the first-line treatment of advanced pancreatic cancer. For the oral Utidelone Capsule, we have successfully completed the phase I clinical study in China and the U.S., which has shown good efficacy and safety profile along with high oral bioavailability. The enrollment of the pivotal clinical study in China in respect of its combination with capecitabine for advanced breast cancer has completed. The superior efficacy and safety data provide confidence for our upcoming NDA. We are of the view that Utidelone Capsule represents an enhancement in cancer treatments, as it provides more convenience and better compliance from patients, eases the financial burden on patients, and could facilitate combination with other anti-cancer drugs to open up opportunities for

new therapies. Therefore, the Company has exerted much effort in the subsequent phase II/III clinical pipeline of Utidelone Capsule, including three large studies, namely the phase III clinical study for strengthened TNBC adjuvant treatment, the phase II/III international multi-center clinical study for advanced gastric cancer and the phase II/III international multi-center clinical study for advanced ovarian cancer, which are currently in the start-up stage. As of the end of the Reporting Period, the latest R&D pipeline chart of the Company is as follows:



Utidelone Injection

- *Phase III clinical trial of Utidelone Injection for HER2- breast cancer neoadjuvant*

  This study is a superiority design with head-to-head comparison with docetaxel. AC in combination with taxanes is currently a neoadjuvant standard treatment for patients with HER2- breast cancers, nevertheless its efficacy and safety profile are limited. Based on the background that Utidelone Injection was approved for the treatment of advanced breast cancer, we believe that it can be applied to early breast cancer treatment and can benefit more cancer patients, meanwhile expanding our market share. As of the end of the Reporting Period, we have enrolled two-thirds of the target number of patients, and the incidence rate of collected adverse events was low, and these adverse events were easily manageable, indicating good safety profile of Utidelone Injection in combination with AC. Efficacy data will be obtained after reaching a sufficient number of evaluable cases and completing statistical analysis. All patients are expected to be enrolled by the second half of 2025. We believe that our product has the potential to become a preferred neoadjuvant chemotherapy option for HER2- breast cancer.

- *Phase II clinical trial of Utidelone Injection for Advanced NSCLC*

The results of this study were published in Cancer Pathogenesis and Therapy (2024, 2(2), 103–111) during the Reporting Period. The objective of this study was to evaluate the efficacy and safety profile of Utidelone Injection monotherapy for advanced NSCLC patients who had previously failed the second-line treatment (including platinum-based chemotherapy and targeted therapy) or could not tolerate it. We commenced the trial in April 2019 and completed it in August 2021. A total of 26 patients were enrolled. In terms of safety profile, no patients died due to TRAEs during the trial, and the incidence rate of these adverse events was low. Regarding efficacy, 21 patients were evaluable for efficacy. The ORR was 19.0%, and the DCR was 81.0%. The median PFS was 4.4 months, and the 12-month survival rate was 71.0% (detailed data is shown in the figure below).

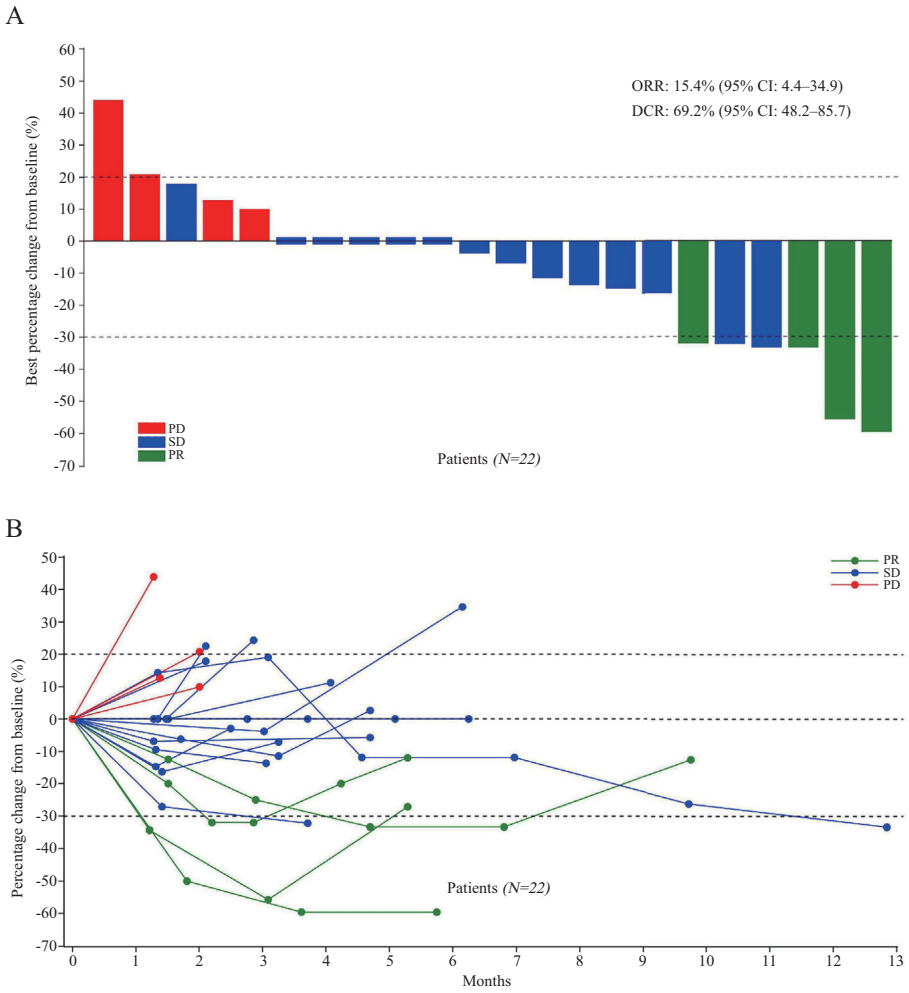


Figure: Efficacy of Utidelone for patients with NSCLC in the ITT cohort. Waterfall plot of the best percentage change in the investigator-assessed size of target tumor lesions from base line in the ITT cohort (A), spider plot of the change in the investigator-assessed tumor size over time in the ITT cohort (B).

- ***Phase III clinical trial of Utidelone Injection for advanced NSCLC in China***

  This study is a superiority design with head-to-head comparison with docetaxel. Chemotherapy is one of the most important treatments for NSCLC. According to the above phase II clinical trial of Utidelone monotherapy for advanced NSCLC patients who had previously failed or were unable to tolerate the second-line treatment or above (including platinum-based chemotherapy), Utidelone Injection showed good efficacy and safety profile. We are currently advancing this phase III trial. As of the end of the Reporting Period, we have enrolled approximately 40% of the target number of patients, and the incidence rate of collected adverse events was low, and these adverse events were easily manageable. Efficacy data will be obtained after reaching a sufficient number of evaluable cases and completing statistical analysis. All patients are expected to be enrolled by the end of 2025.

- ***Phase II clinical trial of Utidelone Injection for solid tumors (in combination with PD-1 for the first-line treatment of advanced gastric and esophageal cancers) in China***

  According to the data of the first stage of the phase II clinical trial, the CBR of Utidelone monotherapy for advanced gastric and esophageal cancers reached 53% and 70%, with ORR of 20% and 40%, respectively. Hence, we conducted the second-stage study of Utidelone in combination with PD-1 for the first-line treatment of gastric and esophageal cancers, and completed this study during the Reporting Period. Utidelone plus PD-1 inhibitor and chemotherapy demonstrated promising efficacy and acceptable safety as first-line treatment for GC and ESCC. There were 27 eligible patients enrolled in the GC cohort and 23 patients were evaluable for efficacy. 5 patients were still receiving treatment (up to 23 cycles). The ORR was 65.2% (with 4 non-comfirmed PR) and CBR was 100%. The mPFS was >6.1 months. There were 20 eligible patients enrolled in the ESCC cohort and 18 patients were evaluable for efficacy. 6 patients were still receiving treatments (up to 12 cycles). The confirmed ORR was 33.3% and CBR was 100%. Please see the details in the figures as shown below. The safety profiles were good for both cohorts, with no treatment-related deaths. Interim study results were published at the 2024 ASCO annual meeting; and the latest study findings have been presented as a poster at the 2025 ASCO annual meeting.

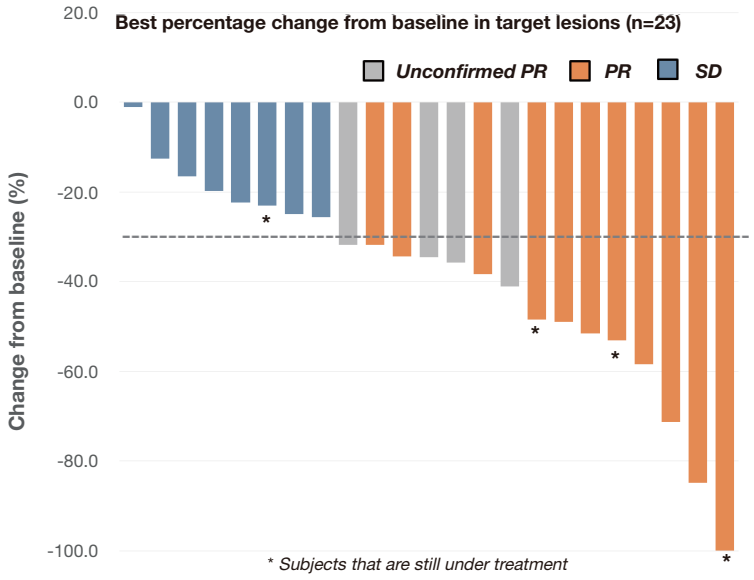


Figure: Second-stage gastric cancer cohort:
Waterfall plot of percentage of best change from baseline (PPS)

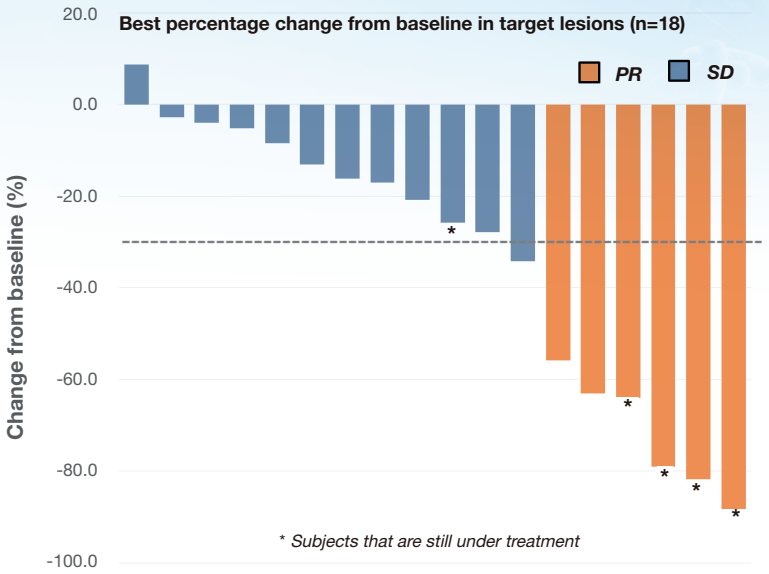


Figure: Second-stage esophageal cancers cohort:
Waterfall plot of percentage of best change from baseline (PPS)

- ***Phase II clinical trial of Utidelone Injection in combination with bevacizumab for HER2- negative breast cancer with brain metastasis***

  The results of this clinical trial were published at the 2024 ASCO annual meeting and JAMA Oncology during the Reporting Period. Utidelone can cross blood-brain barrier, enabling it to reach a high drug concentration in brain tissues, thereby playing a role in preventing and treating brain metastases. The primary objective of this study was to investigate the efficacy and safety of Utidelone combined with bevacizumab in the treatment of advanced breast cancer brain metastases. During the period from May 5, 2022 to October 25, 2023, a total of 47 patients were recruited. Among them, 35 patients had untreated CNS lesions, while 12 had progressive brain metastases after local radiotherapy. In terms of safety profile, the most common grade 1–2 adverse events (AEs) were peripheral neuropathy, decreased neutrophil count, etc. No grade 3 or higher treatment-related AEs occurred. Regarding efficacy, the CNS-ORR was 42.6%. As of May 20, 2024, the median progression-free survival (PFS) was 7.7 months, and the median overall survival (OS) was 15.1 months. Detailed data is shown in the figure below.

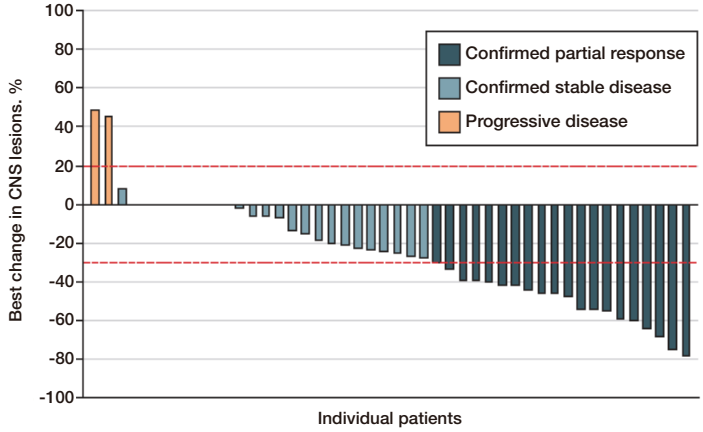


Figure: Radiographic mitigation of intracranial lesions (n=46)

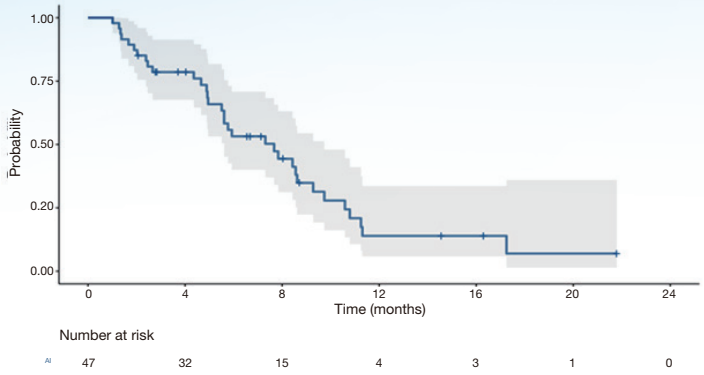


Figure: Kaplan-Meier curve of progression-free survival

- ***Phase II clinical trial of Utidelone Injection in combination with bevacizumab and etoposide for the treatment of HER2- negative breast cancer with brain metastases***

  The results of this clinical trial were presented orally at the 2025 ASCO annual meeting. The study was designed to investigate the efficacy and safety of Utidelone in combination with bevacizumab and chemotherapy in the treatment of breast cancer brain metastases with a view to finding new treatments that can control intracranial tumors and prolong survival for this group of patients. A total of 34 patients were enrolled in the study, with a median age of 51 years. Among them, the median number of prior lines of chemotherapy was 3, 10 patients were treated with bevacizumab, and 9 patients were treated with local treatment targeting brain metastases. As of December 2, 2024 (10.4 months median follow-up), 64.7% of patients received more than six cycles of treatment. In terms of efficacy, CNS-ORR was 67.6%, and CNS-CBR was 88.2%. The median CNS-PFS was 15 months, while the median overall PFS was six months. In terms of safety, the overall tolerability of this combination treatment regimen was good, with most TEAEs being grade 1–2, manageable and reversible. Nearly two-thirds of the patients completed more than 6 cycles of treatment. The grade 3–4 TEAEs occurred in the study were limited to peripheral neuropathy and bone marrow suppression, with an incidence rate of less than 10%. Detailed data is as shown in the figure below.

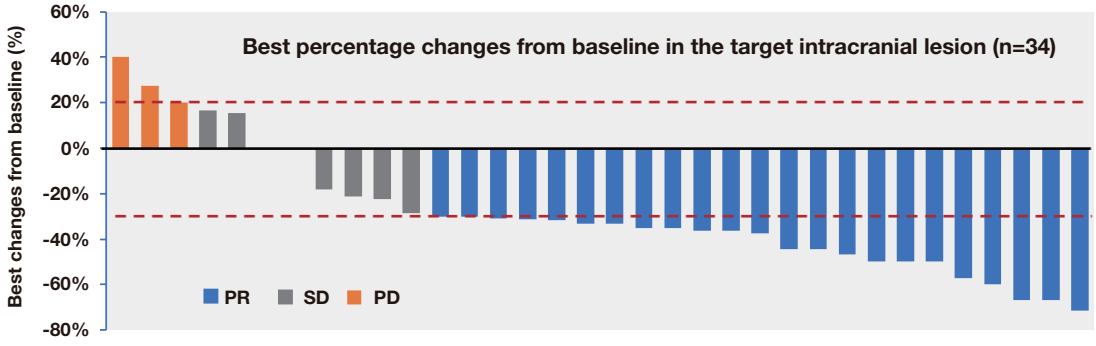


Figure: Best percentage changes from baseline in the target intracranial lesion

- ***Pivotal phase II clinical trial of Utidelone Injection in combination with bevacizumab for the treatment of lung cancer brain metastasis***

  Given Utidelone's performance in aforementioned clinical trials, we submitted an IND application for the pivotal phase II clinical trial of Utidelone Injection in combination with bevacizumab for the treatment of lung cancer brain metastasis in China in early June 2024, and obtained an IND approval in September 2024. The first patient was enrolled in January 2025.

- ***Pivotal phase II clinical trial of Utidelone Injection in combination with capecitabine for the treatment of breast cancer brain metastasis in the United States***

  We obtained ODD approval from the FDA for Utidelone for the treatment of breast cancer brain metastasis in March 2024, and in June 2024, we received IND approval for the pivotal phase II clinical trial of Utidelone Injection in combination with capecitabine for the treatment of breast cancer brain metastasis. The clinical trial has received ethical approval in the United States, with the first patient set to be enrolled shortly. This marks the first use of Utidelone Injection in a U.S. patient population, representing an important step in the Company's internationalization strategy.

- ***Phase II clinical study of Utidelone Injection as first-line treatment for unresectable advanced pancreatic cancer***

  Pancreatic cancer is a highly malignant tumor, and the combination regimen with gemcitabine remains its primary clinical treatment approach. However, pancreatic cancer cells are prone to developing resistance to gemcitabine, resulting in suboptimal treatment outcomes. Utidelone has shown significant inhibition of pancreatic cancer cell proliferation and colony formation ability, demonstrating strong antitumor activity in pancreatic cancer models. When used in combination with gemcitabine, Utidelone significantly reduces the IC50 value of gemcitabine without diminishing its cytotoxic effects on tumor cells, and the combined antitumor activity is superior to the traditional combination of paclitaxel and gemcitabine. Preliminary data from the phase II clinical study of Utidelone Injection in combination with gemcitabine for first-line treatment of unresectable advanced pancreatic cancer were presented at the 2024 CSCO Annual Meeting. As of the report date, 20 patients with unresectable and locally unfit advanced pancreatic cancer were enrolled in the study, with 11 having completed the first efficacy assessment. Among these, 3 patients achieved partial remission (PR), and 5 patients had stable disease (SD). The objective remission rate (ORR) was 27.27%, and the disease control rate (DCR) was 72.72%. The median overall survival (mOS) was 9.57 months. In terms of safety, most adverse events were grade 1–2. The data demonstrate that Utidelone in combination with gemcitabine offers favorable survival benefits and disease control rates for the first-line treatment of advanced pancreatic cancer patients, and has the potential to address the treatment gap in pancreatic cancer, emerging as a new treatment option. During the Reporting Period, we also submitted an ODD application to the FDA for the treatment of pancreatic cancer with Utidelone.

- ***Phase II trial of Utidelone Injection for heavily pre-treated metastatic castration-resistant prostate cancer refractory to docetaxel***

  The results of the clinical trial were presented at the 2024 ASCO Annual Meeting during the Reporting Period. Chemotherapy options for metastatic castration-resistant prostate cancer (mCRPC) refractory to docetaxel are limited in China, due to the unavailability of cabazitaxel and sipuleucel-T. This phase II study was designed to evaluate the safety and efficacy of UTD1 in mCRPC. Twenty-five mCRC patients with a median age of 67 years were enrolled in this study since March 23, 2022. Patients received an average of 4.2 lines of prior anticancer treatments: 100% of them received docetaxel, 96.0% of them received abiraterone, and 80.0% progressed after enzalutamide, and/or apalutamide. At of the cut-off date, the PSA response rate was 16.0%. The median rPFS and OS were 4.9 months and 7.1 months, respectively. One PR and four SD were observed in ten patients with measurable lesions, resulting in an overall ORR and DCR of 10.0% and 50.0%, respectively. The most common treatment-related adverse events (TRAEs) included peripheral sensory neuropathy, dyspepsia, anemia, et al. No treatment-related death occurred. This study demonstrated promising efficacy and favorable tolerance in heavily pretreated mCRPC patients who progressed on docetaxel.

Utidelone Capsule

During the Reporting Period, the pipeline related to Utidelone Capsule progressed rapidly, as we successfully completed its phase I clinical study in China and the United States, and carried out a number of phase II/III large clinical studies globally.

- ***Utidelone Capsule phase I clinical trial in China***

  The primary objective of this study, the first clinical study of Utidelone Capsule in China, is to examine the safety profile and tolerability of Utidelone Capsule for Chinese patients with advanced solid tumors, and the secondary objectives include evaluating its efficacy of Utidelone Capsule and its absolute bioavailability compared to Utidelone Injection. During the Reporting Period, the study has been completed, in which patients are treated with Utidelone Capsule monotherapy at starting dose of 50 mg/m^2/d-5day (2 patients), with escalation to 75 mg/m^2/d-5day and 75 mg/m^2/d-7day (3 patients for each) in a 21-day cycle. No patient experienced DLT and the most common ≥ Grade 3 AE was diarrhea appeared at 75 mg/m^2/d-7day, but recovered within 24 hours after supportive treatment. 75 mg/m^2/d-5day was recommended as monotherapy dose. 6 patients were evaluable for efficacy with 3 PR (1 for each for cohort) and 3 SD, with DoT of 2–13 cycles. Most TEAEs were Grade 1/2, no AEs lead to death or termination from study. The AUCinf of 30 mg/m^2 Utidelone Injection and 60 mg/m^2 Utidelone Capsule was 3119.708 h*ng/mL and 2188.184 h*ng/mL, respectively, demonstrating a bioavailability F% of 35.1%. This study demonstrated Utidelone Capsule's good bioavailability as a microtubule inhibitor, manageable safety, and promising monotherapy efficacy.

- ***Pivotal clinical study of Utidelone Capsule combined with capecitabine for advanced breast cancer in China***

  The study is a continuation of the phase I clinical study of Utidelone Capsule in China, evaluating the efficacy, safety and pharmacokinetic profile of Utidelone Capsule combined with capecitabine for patients with advanced metastatic breast cancer. The study was in progress, in which 50 advanced breast cancer patients were enrolled, 26 patients are still under treatments. 44 patients were evaluated for efficacy with 25 PR and 14 SD. The ORR was greater than 56.8% (CBR was 88.6%). Results were consistent with UTD1 phase III (49.8% ORR, 65.8% CBR, orally reported at ASCO 2018). The most common TEAEs included diarrhoea and neutropenia which recovered with supportive treatment. This study demonstrated Utidelone Capsule's promising combination therapy efficacy consistent with the injectable formulation for the treatment of advanced breast cancer. We plan to complete the trial and submit a pre-NDA application to the NMPA for Utidelone Capsule combined with capecitabine for advanced breast cancer in the fourth quarter of 2025.

- ***IIT clinical trial of Utidelone Capsule in combination with capecitabine for the treatment of advanced breast cancer in China***

  This study is ongoing and aims to evaluate the efficacy and safety of Utidelone Capsule in combination with capecitabine for the treatment of patients with advanced metastatic breast cancer. 33 advanced breast cancer patients were enrolled, 15 patients are still under treatments. 27 patients were evaluated for efficacy with 13 PR and 9 SD. The ORR was greater than 48% (CBR was 81.5%).

- ***Utidelone Capsule phase I clinical trial in the United States***

  The primary objective of this study, the first to enter human clinical studies of Utidelone Capsule worldwide, is to examine the safety profile and tolerability of Utidelone Capsule for patients with advanced solid tumors in the United States, and secondary objectives include evaluating the efficacy and PK behavior of Utidelone Capsule. During the Reporting Period, the study has been completed. Patients were treated with Utidelone Capsule monotherapy. The starting dose was 5-day 25 mg/m^2/d for 2 patients, with planned escalation to 5-day 50, 75, 100 mg/m^2/d and 7-day 70 mg/m^2/d for 2, 6, 3 and 2 patients, respectively in a 21-day cycle. All patients had received prior treatment in advanced settings with maximal 9 lines. Two DLTs of Grade 3 and Grade 4 diarrhea occurred, one at 5-day 100 mg/m^2/d and one at 7-day 70 mg/m^2/d. MTD was determined to be 5-day 75 mg/

m^2/d. 11 patients were evaluated for efficacy with an outcome of 1 CR (ovarian cancer), 1 PR (ovarian cancer), 7 SD (testicular Sertoli cell tumor, NSCLC*2, pancreatic adenocarcinoma*2, appendiceal adenocarcinoma and soft tissue sarcoma), with the longest DoT of 12 cycles. The ORR was 18.2% and the CBR was 81.8%. The most frequent TEAEs were Grade 1/2, including diarrhea, fatigue, nausea, peripheral sensory neuropathy, vomiting, and decreased appetite (≥20% incidence rate), which recovered with supportive treatments. This study demonstrates encouraging anti-tumor activity with manageable safety of Utidelone Capsule in patients with heavily pre-treated advanced solid tumors. The latest research findings have been presented as a poster at the 2025 ASCO annual meeting.

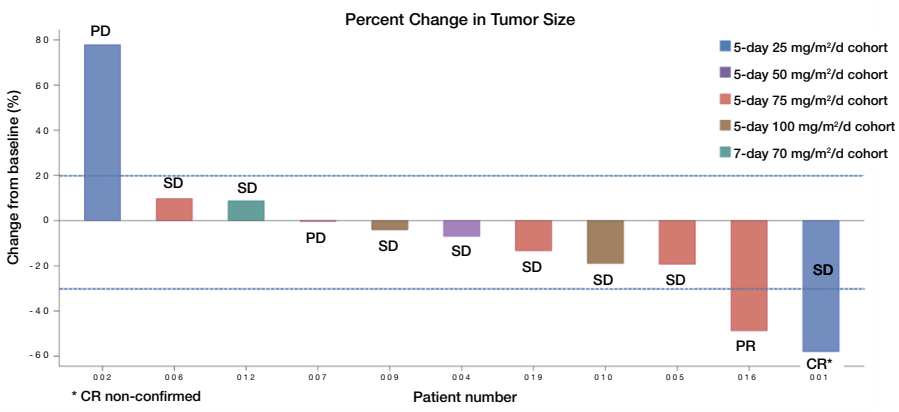


Figure: Waterfall plot of maximum percentage of tumor reduction

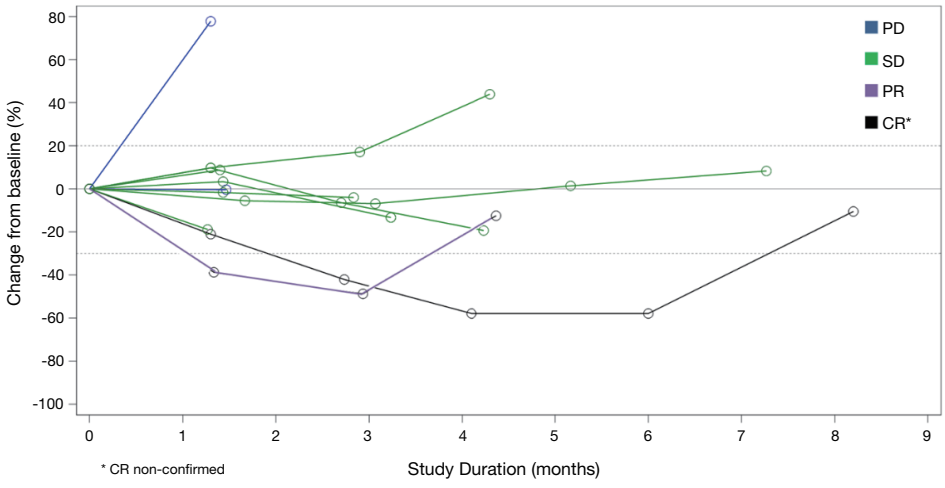


Figure: Spider plot of maximum percentage of tumor reduction

- ***International multi-center phase II/III clinical study of Utidelone Capsule combined with capecitabine and oxaliplatin for the first-line treatment of locally advanced or metastatic PD-L1 negative gastric or gastroesophageal junction adenocarcinoma***

  We obtained an ODD approval from the FDA for Utidelone Capsule for the treatment of advanced gastric cancer in March 2024. We held a pre-IND communication exchange and a Type C meeting with NMPA and FDA respectively in the second half of 2024 in respect of the phase II/III MRCT of Utidelone Capsule combined with capecitabine and oxaliplatin for the first-line treatment of advanced gastric cancer, and reached a consensus on the study protocol. The phase II study, which is proposed to enroll 78 subjects, is planned to be conducted in the United States and Asian countries, with the primary objective of evaluating the safety, efficacy and pharmacokinetic profile of Utidelone Capsule combined with other drugs. The phase III study, which is proposed to enroll 700 subjects, is planned to be conducted in the United States, Asia, Europe, and other countries and regions, with the primary endpoint being the overall survival (OS), and the secondary endpoints including progression-free survival (PFS), ORR and safety. Currently, the phase II/III clinical IND has been approved by the FDA and CDE, and the relevant study center screening is progressing in an orderly manner, with the first patient enrolment in the United States scheduled to be completed in the third quarter of 2025.

- ***International multi-center phase II/III clinical study of Utidelone Capsule monotherapy for patients with platinum-resistant advanced epithelial ovarian cancer, ovarian cancer or primary peritoneal cancer***

  The phase II study, which is proposed to enroll 72 subjects, is planned to be conducted in multi-centers in the United States and China, with the primary objective of evaluating the safety profile, efficacy, and pharmacokinetic profile of different dosing regimens of Utidelone Capsule monotherapy in the target patients. The phase III study, which is proposed to enroll 480 subjects, is planned to be conducted in multi-centers in the United States, China, Europe, and other countries and regions, to evaluate the efficacy and safety of Utidelone Capsule compared to the chemotherapy selected by researchers for patients with platinum-resistant advanced epithelial ovarian cancer, ovarian cancer or primary peritoneal cancer. Currently, the phase II/III clinical IND has been approved by the CDE, and an IND application is also to be submitted to the FDA, with the first patient enrolment in China scheduled to be completed in the third quarter of 2025.

- ***Phase III clinical study of Utidelone Capsule combined with capecitabine in adjuvant intensive treatment for early TNBC that did not achieve complete pathological remission after neoadjuvant treatment***

  Adjuvant chemotherapy options for TNBC patients are very limited. Utidelone Capsule can improve medication compliance and reduce patient's hospital stay, which improve the medication convenience and contribute to the long-term treatment of patients, and substantially reduce the cost of clinical treatment for patients. Meanwhile, Utidelone's previous safety data supports its long-term administration, beneficial for long-term adjuvant intensive treatment. The study is planned to enroll 440 patients with early TNBC who had previously received neoadjuvant chemotherapy and had not achieved complete pathological remission after surgery, in order to evaluate the 3-year invasive disease free survival (IDFS) rate, overall survival (OS) rate and safety profile of Utidelone Capsule in combination with capecitabine compared to the capecitabine monotherapy for adjuvant treatment of early TNBC patients that had not achieved complete pathological remission after neoadjuvant treatment. Currently, the ethics review from the leading unit has been approved and the first patient enrolment will be completed soon.

- *Utidelone antibody drug conjugate*
  Utidelone antibody drug conjugate (ADC) combines the potent effects of chemotherapy drugs with the tumor-targeting advantages of antibody drugs. Given the promising performance of ADCs in indications like breast cancer and the clinical exploration involving microtubule inhibitor drugs as effective payloads, we believe that Utidelone, as an innovative chemotherapy drug with comprehensive clinical advantages, has the potential to be a good payload for ADCs, which will further strengthen our advantage in terms of efficacy and safety profile across multiple indications. The Utidelone ADC project is now in orderly progress.

2. Marketing strategic cooperation

The Company entered into a marketing service agreement (the "**Agreement**") with Beijing Baheal Zhihe Medical Achievement Transformation Service Co., Ltd.* (北京百洋智合醫學成果轉化服務有限公司) ("**Baheal Zhihe**"), a wholly-owned subsidiary of Qingdao Baheal Medical INC.* (青島百洋醫藥股份有限公司) ("**Baheal Medical**") (stock code: 301015.SZ) on November 14, 2024. Pursuant to the Agreement, the Company agreed to grant Baheal Zhihe the exclusive right to provide marketing service for Utidelone Injection (brand name: Youtidi®) in China Mainland from January 1, 2025. Baheal Zhihe paid to the Company a non-refundable down payment of RMB50 million in November 2024; at the same time, based on the research and development and sales progress, Baheal Zhihe will make the research and development milestone payment and sales milestone payment to the Company. The Company shall pay the marketing service fee to Baheal Zhihe according to the annual end sales on a graded basis.

We are of the opinion that the Group will take this opportunity to integrate resources more efficiently, further expand the market space of its core products, maximize the scientific and commercial value of the Group's technology platform, accelerate the research and development and implementation of more business lines, and lay a solid foundation for the sustainable development and value creation of the enterprise through cooperation with companies with excellent commercialization capabilities.

3. Intellectual property

We adopt a multi-level intellectual property protection strategy to maximize the duration and scope of patent protection. During the early R&D stage, our strict and comprehensive confidentiality system ensures that all R&D activities proceed securely without any confidential data leaks. Prior to product commercialization, we have applied for PCT patents in respect of indications, formulation and process, crystal structure and high-yield engineering bacteria. As a result, 2024 marks a year of concentrated patent grants across our portfolio. During the Reporting Period, we have been granted the PCT patent for Utidelone crystal structure in China and European countries, PCT patent for Utidelone oral formulation in China, Japan, Australia, Europe and India and PCT patent for engineering bacteria used for manufacturing Utidelone in China and Japan. It is particularly worth mentioning that the patent for high-yield engineering bacteria, which is a core patent of Utidelone in the intellectual property protection system and has the expire date of 2041. Utidelone is produced through microbial fermentation of gene engineering bacteria, with complex molecular structure of the compound, which is difficult to achieve efficient production and industrialization through chemical synthesis or chemical semi-synthesis. Moreover, there is a big gap between the products obtained through chemical synthesis and those produced by microbial fermentation of gene engineering bacteria in terms of quality standards, drug properties, production costs, and clinical safety. Since gene engineered bacteria are the prerequisite and core material for producing Utidelone, its patent will significantly increase the barriers to prevent from the generic.

4. Continuous optimization of production, quality control and efficiency

The Company continued to optimize production processes, quality control and efficiency through various measures, including:

- **Localization efforts to reduce costs and enhance supply chain stability**
  By exploring the localization of substrate, disposable consumables, and auxiliary materials, the Company reduced production costs without compromising product yield and quality, strengthened the stability of supply chain, reduced storage costs, and improved the efficiency of working capital.

- **Increasing production quantity to reduce costs and improve efficiency**
  With the inclusion of Utidelone Injection in the medical insurance system in 2022 and the renewal of inclusion in 2024, market demand has gradually increased. To ensure patient access to the drug, reduce production costs, and improve production efficiency, the Company increased production quantity of Utidelone Injection and completed the filing procedure with the drug regulatory authorities (Filing Number: Chuan Bei 2023024703).

- **Introduction of a new Utidelone Injection specification: 3ml:30mg**
  Taking into account ongoing clinical research and dosage adjustments in the approved drug labeling, the Company developed a new 3ml:30mg specification in addition to the existing 5ml:50mg specification, in order to meet clinical needs, reduce drug waste, lower costs for patients and improve drug accessibility. The approval notice on drug supplementary application of Utidelone Injection 3ml:30mg was obtained in December 2024 (Medical Approval Number: Guo Yao Zhun Zi: H20247320).

- **Optimization of quality control**
  The Company continued to optimize its quality management system by advancing the development of phase-appropriate quality systems and MAH-related quality systems. Efforts were also made to improve the establishment of drug variety archives to ensure product traceability and quality stability.

5. Development Strategies and Business Prospects

Launching our products worldwide by continuously enhancing our R&D activities

We will further strengthen R&D efforts surrounding our product pipeline, and enhance the commercial value of products through in-house R&D as well as external collaboration:

— *Clinical trial of Utidelone Injection:*
In addition to advanced breast cancer, we will also actively advance the clinical progress in respect of other indications, such as breast cancer neoadjuvant, NSCLC, breast cancer and lung cancer brain metastases, and pancreatic cancer. We will continue to boost more indications of Core Product so as to extend our future market prospect.

— *Clinical trial of Utidelone Capsule:*
As the oral formulation of Utidelone, Utidelone Capsule provides patients with better convenience and adherence, and alleviates patients' economic burden. Based on the excellent data from the completed clinical studies of Utidelone Capsule in China and the U.S., we have exerted much effort in the subsequent phase II/III clinical pipeline of Utidelone Capsule, for which three large-scale studies including the phase III clinical study for strengthened TNBC adjuvant treatment, the phase II/III international multi-center clinical study for advanced gastric cancer, and the phase II/III international multi-center clinical study for advanced ovarian cancer will soon complete the enrollment of the first patient.

— *R&D of ADC products:*
Given the potential of Utidelone to become a good payload for ADC drugs and our progress in the preliminary explorations of ADC programs, we will use our best efforts to develop the ADC programs with Utidelone as payload drug program and advance it to the clinical stage as soon as possible, so as to further enrich our product portfolio and continuously increase the diversification and competitiveness of the Company's product pipeline.

— *Global activity:*
Putting great emphasis on accelerating the application and clinical progress of our pipeline in overseas markets, we will consistently push forward programs that have been approved for clinical trials, as well as introduce more clinical programs globally. In addition, we are actively selecting reliable global partners through out-licensing out of China rights or co-development of Utidelone Injection and Capsule. We believe that our strong capabilities of R&D and manufacturing, coupled with our enriched commercial expertise, make us the preferred partner for global biopharmaceutical companies who share our goal of bringing innovative anti-cancer products to patients around the world.

— *Satisfying global needs by optimizing our production quality and capacity*
We are committed to consolidating our strengths in terms of production and will continue to invest in high-caliber manufacturing equipment and optimal manufacturing environment so as to better satisfy our R&D and production needs while also achieving economies of scale and cost reduction during production. In anticipation of the rapid progress of our overseas clinical trials and commercialization, we will upgrade and renovate our production facilities in accordance with cGMP standard to serve as groundwork for the future delivering of our products on a global scale.

— *Extending brand recognition and market reach*
We will further strengthen the in-depth cooperation with our partner Baheal Medical, consolidate both parties' resources in a more efficient way, and formulate a comprehensive, professional and differentiated academic promotion plan and commercialization development strategy to cover medical institutions in key provinces and cities nationwide, with a view to rapidly enhancing the market recognition and penetration of Utidelone Injection.

— *Speeding up technological innovation and commercialization by attracting, cultivating, and retaining top-tier talents*
We place a high priority on selecting and retaining talents. To sustain our growth, we will continue to recruit top professionals in R&D, clinical development, and commercialization. We are committed to providing our employees with comprehensive career development and learning opportunities, guidance from veterans, clear career development paths, competitive remuneration, and a collaborative and supportive working environment to achieve a corporate culture that attracts and retains like-minded, top-tier talents.

FINANCIAL REVIEW

Revenue

Total revenue of the Group for the Reporting Period was RMB71.9 million, representing an increase of 7.9% from that of RMB66.6 million for the year ended December 31, 2023. Such change was mainly due to the increase in sales revenue as a result of the increase in market penetration of our product Utidelone Injection.

Cost of sales

Cost of sales for the Reporting Period was RMB10.8 million, representing a decrease of 45.6% from RMB19.8 million for the year ended December 31, 2023. Such change was mainly due to the decrease in cost of sales resulting from the optimization of the production process of our product Utidelone Injection.

Gross profit and gross margin

As a result of the foregoing factors, the gross profit of the Group increased by 30.5% from RMB46.8 million for the year ended December 31, 2023 to RMB61.1 million for the year ended December 31, 2024, with gross profit margin calculated by dividing gross profit by revenue and multiplying the result by 100%. The gross profit margin of the Group was 85.0% for the year ended December 31, 2024 as compared to 70.3% for the year ended December 31, 2023. The increase in gross profit and gross profit margin is attributable to the increase in sales revenue as a result of the increase in market penetration of the products, and the decrease in cost of sales as a result of the optimization of the production process of the products.

Other Income and Net Gains

During the Reporting Period, our other income and net gains primarily consisted of (i) interest income from bank deposits; (ii) net foreign exchange gains; (iii) government grants, being grants received to encourage us for talent introduction and innovation; and (iv) net realised and unrealised gains on financial assets mandatorily measured at fair value through profit or loss.

Other income and net gains decreased by 15.6% from RMB31.7 million in 2023 to RMB26.7 million in 2024, mainly due to the decrease in the net realised and unrealised gains on financial assets mandatorily measured at fair value through profit or loss as a result of the redemption of wealth management products.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 35.1% from RMB95.4 million in 2023 to RMB61.9 million in 2024, primarily due to the reduction in selling and distribution expenses brought about by our strict control over selling expenses.

Administrative Expenses

Administrative expenses increased by 19.2% from RMB43.9 million in 2023 to RMB52.3 million in 2024, mainly due to the increase in our listing expenses.

Research and Development Expenses

Research and development expenses decreased by 8.1% from RMB126.5 million in 2023 to RMB116.3 million in 2024, primarily due to the decrease in technical service expenses as some IITs were completed in 2023.

Financial Costs

Our financial costs remained relatively stable, amounting to RMB56,000 in 2024 and RMB57,000 in 2023.

Loss for the Reporting Period

Due to the above reasons, our loss narrowed by RMB45.8 million from RMB189.6 million in 2023 to RMB143.8 million in 2024.

Key Financial Ratios

The table below sets forth our key financial ratios as of the dates indicated:

	As at December 31, 2024	As at December 31, 2023
Current ratio (times)	**8.8**	14.5
Quick ratio (times)	**8.4**	13.9
Gearing ratio (%)	**13.4%**	6.4%

Notes:

1. Current ratio equals current assets divided by current liabilities as of the same date.

2. Quick ratio equals currents assets less inventories and divided by current liabilities as of the same date.

3. Gearing ratio is calculated as dividing total liabilities by total assets as of the same date.

Net Current Assets

Our net current assets increased by 5.1% from RMB589.8 million as of December 31, 2023 to RMB620.1 million as of December 31, 2024, which was due to the cash inflow from the proceeds of our global offering.

As of December 31, 2024, our current assets amounted to RMB699.3 million, including cash and cash equivalents of RMB189.7 million, fixed deposits with banks of RMB268.8 million, financial assets mandatorily measured at fair value through profit or loss of RMB106.0 million, prepayments of RMB67.1 million, inventories of RMB31.4 million, trade and other receivables of RMB28.1 million and restricted bank balances of RMB8.2 million. As of December 31, 2024, our current liabilities amounted to RMB79.2 million, including trade and other payables of RMB72.9 million, contract liabilities of RMB4.7 million, amounts due to related parties of RMB0.9 million and lease liabilities of RMB0.7 million.

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to maintain the Group's stability and growth, safeguard its normal operations and maximise shareholder value. The Group regularly reviews and manages its capital structure and makes timely adjustments in light of changes in operating and market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

As of December 31, 2024, our cash and cash equivalents (mainly denominated in U.S. dollars and RMB), fixed deposits with banks, restricted bank balances and financial assets mandatorily measured at fair value through profit or loss amounted to RMB607.6 million, representing an increase of 5.5% from RMB576.0 million as at December 31, 2023. The increase was mainly due to (i) cash inflow from proceeds we raised from the Global Offering and (ii) offset by our research and development activities, construction of our research and development and production facilities, purchase of equipment, machinery and intangible assets, provision of cash to finance our day-to-day operations and restricted bank outflows during the Reporting Period.

SIGNIFICANT INVESTMENTS HELD

As of December 31, 2024, the Group did not make or hold any significant investments (including any investments in investee companies amounting to 5% or more of the total assets of the Company as at December 31, 2024).

CONTINGENT LIABILITIES

As at December 31, 2024, we did not have any contingent liabilities.

CHARGE ON ASSETS

As at December 31, 2024, the Group had no charge on assets.

FOREIGN EXCHANGE EXPOSURE

We are exposed to currency risk primarily through bank deposits and intra-group receivables denominated in foreign currencies. The currency giving rise to such risk is primarily the U.S. dollars. During the Reporting Period, our business was not materially affected by fluctuations in exchange rates.

EMPLOYEES AND REMUNERATION POLICY

Currently, our employees are mainly from the mainland China and Hong Kong. As of December 31, 2024, the Group had a total of 147 employees. Total remuneration costs incurred by the Group amounted to RMB80.5 million for the year ended December 31, 2024, compared with RMB120.3 million for the year ended December 31, 2023.

The Group has a comprehensive remuneration system to ensure that employees receive fair and reasonable salaries and rewards. We strictly abide by relevant national and regional laws and regulations and pay "five insurances and one fund" according to law, including pension insurance, medical insurance, unemployment compensation, work injury insurance, maternity insurance and housing provident fund, so as to ensure employees enjoy social insurance benefits. For outstanding employees, all rewards are filed with the human resources department and serve as an important basis for personal salary increases and promotions. In addition to salary and social protection insurance, we also provide paid annual leave, maternity leave, nursing leave, sick leave, personal leave and other holiday benefits to improve the life quality of employees and enhance their sense of belonging.

In recognition of the contributions of our employees and to motivate them to further boost the development of the Company, employee incentive schemes were approved and adopted in November 2020, January 2021 and January 2022 respectively. For further details, please refer to the paragraph headed "APPENDIX VII — STATUTORY AND GENERAL INFORMATION — D. PRE-IPO EMPLOYEE INCENTIVE SCHEMES" in the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any significant investments, materials acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

MODIFIED AUDIT OPINION

The Company's auditor, Daxin Global (HK) CPA Limited (the "**Auditor**") expressed a qualified opinion on the consolidated financial statements of the Group for the year ended December 31, 2024 (the "**Qualified Opinion**"). The management of the Company (the "**Management**") and the audit committee of the Company (the "**Audit Committee**") have reviewed and agreed with the Qualified Opinion, details of which are set out in the independent auditor's report.

Details of the basis of the Qualified Opinion

As disclosed in note 16(iii) to the consolidated financial statements, the Group invested in certain non-voting participating redeemable shares of an unlisted fund (the "**Fund**") for a consideration of US$5,000,000 (equivalent to approximately RMB35,942,000) during the year ended December 31, 2024. The Fund is classified by the Company's management as financial assets mandatorily measured at fair value through profit or loss in accordance with HKFRS 9 "Financial Instruments" in the consolidated statement of financial position.

The Fund is engaged in investment in certain listed and private investments ("**Fund Investments**"). In the opinion of the directors of the Company, the fair value of the Group's investment in the Fund was US$5,000,000 (equivalent to approximately RMB35,942,000), being the Group's historical cost of the investment in the Fund, at December 31, 2024 and no fair value gain or loss was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

However, the Auditor was unable to obtain sufficient appropriate audit evidence about the existence, rights and obligations, completeness, accuracy and valuation of the underlying assets, including the Fund Investments, and liabilities of the Fund, which are significant inputs for the measurement of fair value of the Group's investment in the Fund. The Auditor was also unable to obtain sufficient appropriate audit evidence to satisfy itself that: (i) the fair value of the Group's investment in the Fund of US$5,000,000 (equivalent to approximately RMB35,942,000) at December 31, 2024 was properly determined in accordance with HKFRS 13 "Fair Value Measurement" ("**HKFRS 13**") and there was no fair value gain or loss for such investment for the year then ended; and (ii) whether the relevant information was properly disclosed as required by HKFRS 13 and other applicable HKFRS. Consequently, the Auditor was unable to determine whether any adjustments to these amounts and additional disclosures were necessary.

The Management's position, view and assessment on the Qualified Opinion

The Management has given careful consideration to the Qualified Opinion and the basis of Qualified Opinion and has had ongoing discussion with the Auditor when preparing the Group's consolidated financial statements for the year ended December 31, 2024. The Management of the Company is of the view that there is no material disagreement with the Auditor regarding the accounting policies and major judgmental areas. The decision to record the investment in the Fund at its original cost was based on the following considerations: (i) the Fund has not reached the redemption deadline and the Company has been in communication with it regarding an early redemption request, and there were no indications of impairment as of December 31, 2024; (ii) the net asset value report indicates that the fair value of the Group's interest exceeds its original investment amount; and (iii) the shareholder of the Fund has provided a legally binding commitment guaranteeing both the principal and return.

The Auditor maintained the position that due to insufficient appropriate audit evidence, it was not possible to conclude (i) the fair value of the Group's investment in the Fund of US$5,000,000 on December 31, 2024 was properly determined in accordance with HKFRS 13 and there was no fair value gain or loss for such investment for the year then ended; and (ii) whether the relevant information was properly disclosed as required by applicable HKFRS.

The Company wishes to reiterate that it has fully cooperated with the audit process and made best efforts to obtain and provide the required information, to the extent permitted by the Fund's regulatory and confidentiality constraints.

Audit Committee's View on the Qualified Opinion

The Audit Committee has reviewed the audit opinion, the relevant facts and circumstances and discussed the Qualified Opinion with the Auditor. Having considered the confidentiality requirements under Cayman Islands fund regulations, the Audit Committee understood that the Auditor was unable to obtain sufficient appropriate audit evidence. The Audit Committee has also discussed with the Management regarding their basis of accounting and the nature of the audit limitations encountered. The Audit Committee agrees with the Management's position and acknowledges that the Company has taken all reasonable and practicable steps to support the audit process, including maintaining active communication with the Fund and establishing dedicated internal resources to respond to the Auditor's inquiries.

The Audit Committee further recognises that the difficulties encountered by the Auditor primarily stem from external compliance constraints imposed by the Fund's jurisdiction, rather than any issue of transparency or cooperation on the part of the Company.

The Company's plans to address the modifications

To address the audit qualification, prior to the expiry of the Fund's redemption deadline, the Company will make diligent efforts to negotiate early redemption with the Fund and will initiate legal proceedings to recover the full investment amount.

Accordingly, the Audit issue will not have any continuing effect (except for the opening balance of the Fund) on the consolidated financial statements of the Group for the year ending 31 December 2025 and the subsequent years.

In addition, to prevent recurrence of similar audit issues, the Company has resolved not to make further investments in private or unlisted fund structures going forward. This decision, approved by the Board, has been incorporated into the Company's enhanced internal control framework for investment decision-making.

The Board (including the Audit Committee) and the Auditor have reviewed and endorsed the above action plan, pending either outcome, subject to the Company's continued efforts and legal developments, the Board and the Audit Committee consider it to be appropriate and effective in addressing the audit qualification.

Directors, Supervisors and Senior Management

The Board comprises four executive directors, two non-executive directors and three independent non-executive directors.

DIRECTORS

Executive Directors

Dr. Tang Li (唐莉), aged 62, the co-founder of our Group, has been serving as a Director since January 2005, as the chairperson of the Board of the Group since July 2020, and as the chief scientific officer and the chief marketing officer of the Group since March 2021. She was re-designated as our executive Director in December 2023. Dr. Tang is primarily responsible for the overall management, decision-making, R&D, marketing and strategic planning of our Group. Dr. Tang has been our key driving force in innovation and has been overseeing our science-driven R&D efforts since the establishment of the Group.

Dr. Tang also holds the following positions in other members of the Group and is primarily responsible for the decisions of these companies: Dr. Tang has been serving as the general manager of Chengdu Biostar since February 2016; a director, the chief executive officer and the chief financial officer at Biostar Pharma, Inc. since July 2022; and a director of SynBio Pharma (Hong Kong) since November 2024.

Dr. Tang, having over 40 years of experience in the biotechnology field, was engaged in research and study in the field of biopharmaceuticals since 1983, she (i) served as an intern researcher at Chengdu Institute of Biological Products* (成都生物製品研究所) from July 1983 to August 1985; (ii) studied in microbial genetical engineering in the Graduate School of Peking Union Medical College* (中國協和醫科大學研究生院) in the PRC from September 1985 to July 1988; (iii) served as an assistant researcher at the Institute of Pharmaceutical Biotechnology of the Chinese Academy of Medical Sciences* (中國醫學科學院醫藥生物技術研究所) from August 1988 to December 1989; (iv) attended the Ph.D program in microbiology at the University of Wisconsin-Madison in the USA during September 1990 to January 1994; (v) was a postdoctoral research fellow at the University of Wisconsin-Madison School of Pharmacy from February 1994 to April 1998; (vi) served as a senior scientist at Kosan Biosciences, Inc. from May 1998 to October 2004; and (vii) served as professor at the Dalian University of Technology* (大連理工大學) from December 2006 to September 2012.

Dr. Tang obtained (i) a bachelor's degree of science in microbiology from Wuhan University (武漢大學) in the PRC in July 1983; (ii) a master's degree of science in microbial genetical engineering from the Graduate School of Peking Union Medical College* (中國協和醫科大學研究生院) in the PRC in October 1988; and (iii) a Ph.D degree from the University of Wisconsin-Madison in the USA in August 1994. She has published more than 40 research papers in the biotechnology field, and is the inventor of more than 40 patents. Dr. Tang was a recipient of the National Outstanding Youth Science Fund* (國家傑出青年科學基金獲得者) as awarded by the National Natural Science Foundation of China* (國家自然科學基金委員會).

Dr. Tang and Dr. Qiu Rongguo (邱榮國) are spouses, and Dr. Tang and Mr. Tang Jin (唐進) are siblings.

Dr. Qiu Rongguo (邱榮國), aged 63, as the co-founder of our Group, has been serving as a Director and the chief executive officer of the Group since July 2002 and March 2021, respectively, and as the vice-chairperson of the Board since July 2020. Dr. Qiu has been serving as the general manager since July 2002. He was re-designated as an executive Director in December 2023. He is responsible for the overall management, strategic planning and R&D of our Group.

Dr. Qiu also holds the following positions in other members of the Group and is primarily responsible for the decisions of these companies: Dr. Qiu has been serving as the executive director of Chengdu Biostar since January 2015; and a director and secretary at Biostar Pharma, Inc. since July 2022.

Dr. Qiu has over 40 years of experience in the biomedical field. Dr. Qiu (i) served as a lecturer at the School of Medicine of Sun Yat-sen University (中山大學醫學院) from December 1986 to January 1990; (ii) served as a research scholar at the University of California, San Francisco from February 1990 to September 1992; (iii) served as an associate scientist at Onyx Pharmaceuticals, Inc. from October 1992 to December 1997; (iv) was a postdoctoral research fellow at the University of California, Berkeley from January 1998 to October 2000; (v) served a scientist at Kosan Biosciences, Inc. from October 2000 to December 2001; (vi) served as a project leader at Panomics, Inc. from January 2002 to June 2002; and (vii) a professor at Dalian University of Technology* (大連理工大學) from December 2006 to September 2012.

Dr. Qiu obtained a bachelor's degree in virology and a master's degree in viral biochemistry from Wuhan University (武漢大學) in the PRC in July 1983 and August 1987, respectively. He received his Ph.D degree in cellular and molecular biology from the Utrecht University in May 1997. Dr. Qiu has published more than 40 research papers, and is the inventor of more than 15 patents.

Dr. Qiu and Dr. Tang Li (唐莉) are spouses.

Mr. Zhang Cheng (張成), aged 50, has been serving as a Director since August 2018 and the deputy general manager of our Group since March 2021. He was re-designated as an executive Director in December 2023. He is responsible for the overall production quality management of our Group. Mr. Zhang first joined our Group in June 2015 and was appointed as an executive deputy general manager of Chengdu Biostar in September 2016.

Mr. Zhang has over 20 years of experience in the biotechnology industry. Prior to joining our Group, Mr. Zhang successively worked in Chengdu Pharmaceutical Factory No.5* (成都製藥伍廠) and Sichuan Bollink Pharmaceutical Co., Ltd.* (四川寶興製藥有限公司) since September 1998. Mr. Zhang then served at Chengdu Xinlibang Bio-pharmaceutical Co., Ltd.* (成都信立邦生物製藥有限公司) from January 2003 to May 2015.

Mr. Zhang obtained a bachelor's degree of engineering in industrial analysis from the China University of Geosciences (Wuhan) (中國地質大學(武漢)) in the PRC in June 1998 and a master's degree of engineering in pharmaceutical engineering from Sichuan University (四川大學) in the PRC in December 2013.

Dr. Guan Jin (關津), aged 42, was appointed as a Director and a deputy general manager of our Company in March 2023. He was re-designated as an executive Director in December 2023. He is responsible for project management, business development and the public relations of our Group.

Dr. Guan has over 13 years of experience in the pharmaceutical industry. Dr. Guan's previous work experiences include serving as: (i) an intern at AustarPharma LLC from October 2009 to July 2010; (ii) an employee at China Resources Saike Pharmaceutical Co., Ltd.* (華潤賽科藥業有限責任公司) from August 2011 to September 2012; (iii) a technical manager at Eddingpharm (China) Co., Ltd.* (億騰醫藥(中國)有限公司) from November 2012 to November 2015; and (iv) as a senior director of project management at Taizhou EOC Pharma Co., Ltd. (泰州億騰景昂藥業股份有限公司) from November 2015 to March 2022.

Dr. Guan was qualified as a licensed pharmacist accredited by the Beijing Municipal Human Resources and Social Security Bureau* (北京市人力資源和社會保障局) in 2015 and a deputy chief pharmacist accredited by the Jiangsu Province Senior Title Examination and Recognition Committee* (江蘇省高級職稱考核認定委員會) in 2020. Dr. Guan was recognized as a China Medical City "113 Talent Plan" High-level Talents* (中國醫藥城"113人才計劃"高層次人才) by the Office of the Leading Group for the Construction of China Pharmaceutical City's "Talent Zone"* (中國醫藥城"人才特區"建設領導小組辦公室) in 2016, as a Jiangsu Province "six talent peaks" high-level talent* (江蘇省"六大人才高峰"高層次人才) by the Department of Human Resources and Social Security of Jiangsu Province* (江蘇省人力資源和社會保障廳) in 2017, as one of the Jiangsu Province "Innovative and entrepreneurial Talents"* (江蘇省"雙創人才") by the Organization Department of the Jiangsu Provincial Committee of the CPC* (中共江蘇省委組織部) and other authorities in 2018 and the Jiangsu Province "333 high-level talent training project"* (江蘇省"333高層次人才培養工程") by the Jiangsu Provincial Talent Work Leading Group Office* (江蘇省人才工作領導小組辦公室) in 2022.

Dr. Guan obtained a bachelor's degree in pharmacy (English) and a doctorate degree in pharmaceutics from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2006 and June 2011, respectively.

Non-executive Directors

Mr. Tang Jin (唐進), aged 70, was appointed as a non-executive Director of our Company in December 2023. He is responsible for providing guidance and advice on the human resources and administrative matters to the Board.

Mr. Tang first joined our Group in December 2015 as a manager of the general department of Chengdu Biostar. He has also been serving as the deputy director of administration and deputy director of human resources of Chengdu Biostar since January 2022.

Mr. Tang's previous working experiences include serving at: (i) Sichuan Forestry Technical School* (四川省林業技工學校) as a lecturer from August 1983 to August 1988; (ii) Lezhi Phosphate Fertilizer Factory* (樂至縣磷肥廠) as a worker from October 1988 to June 1994 and successively as the head of equipment section and the assistant factory director from June 1994 to July 1995; (iii) a chemical machinery engineer at the Industrial Bureau of Lezhi County* (樂至縣工業局) from January 1994 to December 1996; and (iv) Sichuan Lezhi Fine Chemical Industry Co., Ltd.* (四川省樂至縣精細化工有限公司) as the deputy manager from July 1995 and as director since September 1997. Mr. Tang retired in September 2006 until he joined our Company in December 2015.

Mr. Tang was qualified as a mechanical engineer accredited by the Leading Group of Title Reform of Neijiang City* (內江市職稱改革領導小組) in August 1993.

Mr. Tang obtained a bachelor's degree of engineering in forestry machinery design and manufacturing form Northeast Forestry College* (東北林學院) in the PRC in July 1983.

Mr. Tang and Dr. Tang Li (唐莉) are siblings.

Ms. Dai Xuefen (戴雪芬), aged 48, was appointed as a non-executive Director of our Company in May 2025. She is responsible for providing guidance and advice on corporate and business strategies of our Group.

Ms. Dai Xuefen currently serves as internal audit director and securities director of the Company. Ms. Dai has a Master's degree in Finance from Peking University and holds the qualifications of Senior Accountant of China, Certified Management Accountant in the United States, a fellow member of the Institute of Public Accounts of Australia and a fellow member of the Institute of Management Accountants in the United Kingdom* (英國資深公共會計師). From July 2001 to July 2004, Ms. Dai served as the investment banking project manager of Beijing Changxing Investment Management Co.* (北京長興投資管理有限公司); from August 2004 to December 2006, she successively served as the investment project manager of Beijing Liandong Investment (Group) Co., Ltd.* (北京聯東投資(集團)有限公司), and the assistant to the chief financial officer of the subsidiary after acquisition; from January 2007 to June 2019, she served successively as chief financial officer, secretary of the board of directors, and deputy general manager of the board of directors of Beijing Yueji Co.,* (北京約基股份有限公司); from July 2019 to present, she has been working in the Company. Ms. Dai also holds the qualification certificates of secretary for the board of directors issued by the Shenzhen Stock Exchange and the Shanghai Stock Exchange, respectively, also with a securities practitioner qualification certificate issued by the Securities Association of China. She was awarded the title of "Yicheng Outstanding Talent" * (亦城優秀人才) in Beijing Economic and Technological Development Zone in 2024.

Independent Non-executive Directors

Dr. Meng Songdong (孟頌東), aged 55, was appointed as an independent non-executive Director of our Company in March 2022. He is responsible for supervising and providing independent advice to our Board.

Dr. Meng has over 18 years of experience in the microbiology industry. Dr. Meng has been serving as (i) a researcher of the Institute of Microbiology, Chinese Academy of Sciences* (中國科學院微生物研究所) since 2007; (ii) an executive director and manager of Foshan HeatShock Biotechnology Co., Ltd.* (佛山熱休生物技術有限公司) since January 2018; (iii) a chief scientific officer of Taihe Huamei (Zhejiang) Pharmaceutical Technology Co., Ltd.* (太和華美(浙江)醫藥科技股份有限公司) since January 2016; (iv) an executive director of Beijing HeatShock Biotechnology Co., Ltd.* (北京熱休生物技術有限公司) since July 2016; (v) a supervisor of Hehong Zhongke (Xiamen) Biote technology Co., Ltd.* (和泓中科(廈門)生物科技有限公司) since September 2016; (vi) a managing partner of Ningbo Reji Investment Management Partnership (Limited Partnership)* (寧波熱激投資管理合夥企業(有限合夥)) since January 2018; (vii) a managing partner of Ningbo Rexiu Pharmaceutical Investment Management Partnership (Limited Partnership)* (寧波熱休醫藥投資管理合夥企業(有限合夥)) since January 2018; (viii) a supervisor of Hainan Thermo Health Biotechnology Co., Ltd.* (海南熱美健康生物科技有限公司) since May 2021; and (ix) a manager at Chongqing HeatShock Biotechnology Co., Ltd.* (重慶熱休生物技術有限公司) from March 2022 to December 2022.

Dr. Meng graduated from Xinjiang University (新疆大學) in the PRC in July 1991, and later graduated from the Xinjiang Institute of Ecology and Geography Chinese Academy of Sciences* (中國科學院新疆生態與地理研究所) in the PRC in June 1994. He then obtained a doctorate degree of science in microbiology from the Institute of Applied Ecology, Chinese Academy of Sciences* (中國科學院瀋陽應用生態研究所) in the PRC in July 1998 and completed his post-doctoral study at the Institute of Microbiology, Chinese Academy of Sciences* (中國科學院微生物研究所) in the PRC in 2001. He later completed his postdoctoral studies at the University of Texas Southwestern Medical Center, USA in May 2006.

Mr. Shiu Shu Ming (蕭恕明), aged 55, was appointed as an independent non-executive Director of our Company in May 2025. He is responsible for supervising and providing independent advice to our Board.

Mr. Shiu Shu Ming graduated from the City University of Hong Kong with a bachelor's degree in accountancy. Mr. Shiu served as an independent non-executive director of Tianyun International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 6836) from April 2022 to January 2025. Mr. Shiu also held positions as an executive director and a non-executive director at Town Health International Medical Group Limited (Stock Code: 3886), a company listed on the Main Board of the Hong Kong Stock Exchange and Kingkey Intelligence Culture Holdings Limited (Stock Code: 0550), a company listed on the Main Board of the Hong Kong Stock Exchange from November 2022 to June 2023 and from January 2023 to September 2023, respectively. Mr. Shiu served as a non-executive director of Orient Securities International Holdings Limited (Stock Code: 8001), a company listed on the GEM of the Hong Kong Stock Exchange from June 2022 to July 2022 and was subsequently re-designated as an executive director in July 2022. Mr. Shiu has been appointed as a non-executive director of Oriental Payment Group Holdings Limited (Stock Code: 8613), a company listed on the GEM of the Hong Kong Stock Exchange since December 2021, and has been appointed as an independent non-executive director of Tianjin Construction Development Group Co., Ltd. (Stock Code: 2515), a company listed on the Main Board of the Hong Kong Stock Exchange since April 2024.

He completed his professional training at PricewaterhouseCoopers and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Shiu has over 25 years of experience in corporate finance, specializing in mergers and acquisitions, investments, initial public offerings, and fundraising activities across various ventures and projects. His transaction portfolio spans private entities, China state-owned enterprises, and publicly listed companies in Hong Kong, Mainland China, Malaysia, Singapore, and Indonesia.

Dr. Ye Chengang (葉陳剛), aged 62, was appointed as an independent non-executive Director of our Company in May 2025. He is responsible for supervising and providing independent advice to our Board.

Dr. Ye is a professor and Ph.D. advisor at the University of International Business and Economics. He is a member of the State Council Academic Committee and one of the most authoritative experts in Certified Public Accountant ("**CPA**") training in China. Dr. Ye serves as a special advisor and chief instructor for Hao Accounting Education, and is a senior visiting scholar at the National Accounting Institute. He has been engaged in teaching, research, and CPA exam preparation and research for many years.

Dr. Ye is an expert in the study of business ethics and accounting professional ethics in China. His research areas include accounting, auditing and corporate governance, business ethics, and accounting professional ethics. He has led nearly twenty key research projects funded by the State Education Commission, Ministry of Education, National Natural Science Foundation, and Ministry of Finance. He has authored numerous academic works, translations, and textbooks, including "Corporate Ethics and Accounting Professional Ethics" and has guided nearly ten thousand CPA exam candidates.

SUPERVISORS

Mr. Zhang Shufeng (張樹豐), aged 57, has been serving as a Supervisor since February 2016 and the chairperson of the Supervisory Committee since March 2021. He is responsible for overseeing operations activities of our Group.

Mr. Zhang has been serving as (i) a director of Beijing Kaibang Optical Fibre Technology Co., Ltd.* (北京凱邦光纖科技有限公司) since its establishment in November 2001; (ii) a director of Beijing Intellec Technology Co., Ltd.* (北京英特萊科技有限公司) since August 2013; (iii) a director of Beijing Anglin Maofeng Technology Co., Ltd.* (北京昂林貿烽科技有限公司) since June 2014; (iv) a supervisor of Shanghai Electric Kanda Medical Equipment Group Co., Ltd.* (上海電氣康達醫療器械集團股份有限公司) since November 2014; (v) a director of Beijing Chongde Yingsheng Investment Management Co., Ltd.* (北京崇德英盛投資管理有限公司) since August 2016; (vi) a director of Tianjin Anglin Maofeng High-Tech Material Co., Ltd.* (天津昂林貿烽高新材料有限公司) since March 2017; (vii) a director of Beijing Chongde Yingsheng Venture Capital Co., Ltd.* (北京崇德英盛創業投資有限公司) since June 2016; (viii) a director of Beijing Junke Huayuan Pharmaceutical Technology Co., Ltd.* (北京君科華元醫藥科技有限公司) since October 2019; (ix) the legal representative and a manager of Chongde Hongxin (Beijing) Investment Management Co., Ltd.* (崇德弘信(北京)投資管理有限公司) since November 2019; and (x) a director of Beijing China Education Emergency Technology Co., Ltd.* (北京中教應急科技有限公司) since May 2021.

Mr. Zhang graduated from Jilin University of Technology (吉林工業大學) in the PRC in July 1990 and obtained a master's degree in business administration from Tsinghua University (清華大學) in the PRC in July 1999.

Ms. Zhou Quan (周荃), aged 39, has been serving as a Supervisor since December 2016. Ms. Zhou first joined our Group in October 2009 as the accountant of our Company. She then served as a financial manager of our Company. Ms. Zhou also served as a supervisor and a financial manager of Chengdu Biostar Pharmaceuticals Co., Ltd* (成都華昊中天藥業有限公司) since August 2020 and January 2022, respectively. She is responsible for overseeing the financial matters of our Group.

Ms. Zhou obtained a bachelor's degree of engineering in transportation from Southwest Jiaotong University (西南交通大學) in the PRC in June 2009.

Mr. Kong Rixiang (孔日祥), aged 49, has been serving as our employee representative Supervisor since March 2021. He is responsible for overseeing the operations activities of our Group. Mr. Kong has been engaged in R&D in our Company since March 2003 and has been serving as the R&D director of our Company since December 2018.

Prior to joining our Group, Mr. Kong served as an association officer at the China Membrane Industry Association* (中國膜工業協會) from August 2002 to February 2003. Mr. Kong obtained a bachelor's degree of engineering in biochemistry and a master's degree of engineering in fermentation engineering from Tianjin University of Science and Technology (天津科技大學) in the PRC in July 1999 and April 2002, respectively.

SENIOR MANAGEMENT

Dr. Tang Li (唐莉), is the chief scientific officer and the chief marketing officer of the Group. For details of her biography, please refer to the section headed "— Directors — Executive Directors" above.

Dr. Qiu Rongguo (邱榮國), is the chief executive officer of the Group. For details of his biography, please refer to the section headed "— Directors — Executive Directors" above.

Mr. Zhang Cheng (張成), is the deputy general manager of the Group. For details of his biography, please refer to the section headed "— Directors — Executive Directors" above.

Dr. Guan Jin (關津), is the deputy general manager of the Group. For details of his biography, please refer to the section headed "— Directors — Executive Directors" above.

Mr. Liu Kailin (劉開林), aged 43, is the secretary of the Board and investment director of the Group and has been serving as the investment director of our Company since July 2020 and the secretary of the Board and the investment director of our Company since September 2020. He is responsible for assisting the Board and corporate information disclosure and investor relations management of our Group.

Mr. Liu served at Guosen Securities Co., Ltd. (國信證券股份有限公司) from May 2008 to March 2014, as a vice president of the capital market department at China Securities Co., Ltd (中信建投證券股份有限公司) from April 2014 to February 2015, as a senior manager of the equity sales department of Morgan Stanley Huaxin Securities Company Limited (摩根士丹利華鑫證券有限責任公司) from March 2015 to July 2018 and as a director of the investment banking department at UBS Securities Co. Limited (瑞銀證券有限責任公司) from July 2018 to July 2020.

Mr. Liu obtained a bachelor's degree of economics in international economics and trade from Northwest University of Political Science and Law (西北政法大學) in the PRC in July 2006 and a master's degree of economics in applied economics and finance from Nankai University (南開大學) in the PRC in June 2008.

Mr. Peng Fei (彭飛), the financial director of the Group, aged 52, has been serving as the financial director of our Company in March 2022. He is responsible for the finance, accounting and tax matters of our Group. Mr. Peng was engaged in financial management in the Third Division of the Bureau of Factory Construction of the Ministry of Railways* (鐵道部建廠局三處) from September 1991 to August 2004. He then served as the financial director of Chengdu Ruixin Biopharma Technology Co., Ltd.* (成都瑞欣生物醫藥技術有限公司) from September 2004 to March 2012, at Sinco Pharmaceutical Holdings Limited (a company listed on the Stock Exchange with stock code: 6833) and/or its subsidiaries from July 2013 to March 2021, with his last position as the deputy financial director at Sinco Pharmaceutical Holdings Limited, as the deputy general manager at Sichuan Sinco Pharmaceutical Co., Ltd. (四川興科蓉藥業有限責任公司), and as the general manager at Tibet Linzhi Ziguang Pharmaceutical Co., Ltd* (西藏林芝紫光藥業有限責任公司). He then served as the financial director at Tibet Yuewang Pharmaceutical Clinic Eco-Tibetan Pharmaceutical Technology Co., Ltd.* (西藏月王藥診生態藏藥科技有限公司) from March 2021 to December 2021.

Mr. Peng was qualified as a registered tax agent by the Sichuan Provincial Personnel Department* (四川省人事廳) in April 2009, as a senior accountant by the Chengdu Municipal Title Reform Leading Group* (成都市職稱改革工作領導小組) in April 2013 and as a certified public accountant by the Sichuan Association of Certified Public Accountants* (四川省註冊會計師協會) in April 2017.

Mr. Peng graduated from the Southwest University of Finance and Economics (西南財經大學) in the PRC in December 2006.

JOINT COMPANY SECRETARIES

Mr. Liu Kailin (劉開林), was appointed as one of the joint company secretaries of the Group on October 31, 2024 (the Listing Date). For further details of Mr. Liu, please refer to the paragraph "— Senior Management" above.

Mr. Chan Yik Pun (陳奕斌) was appointed as one of the joint company secretaries of the Group on October 31, 2024 (the Listing Date). Mr. Chan is currently the chief financial officer of Tianfang Jincheng (HK) Limited. Mr. Chan has over 18 years of experience in financial accounting. He successively served as the financial controller and head of finance of Tianfang Hospitality Management Pte. Ltd., company secretary of Natural Food International Holding Limited, the financial controller in the hotel division of Sun Hung Kai Real Estate Agency Limited, the financial controller and the company secretary of Zall Group Ltd., the senior finance manager of Chaoyue Group Limited, the senior accountant of Ernst & Young (Shanghai)/Ernst & Young (Australia), and the senior accountant of Grant Thornton LLP.

CHANGES IN DIRECTORS' INFORMATION

The 2024 first extraordinary shareholders' meeting of the Company held on September 27, 2024 considered and approved the Resolution on the By-election of Independent Non-executive Directors of the Second Session of the Board of Directors of the Company, which agreed to the resignation of Mr. Wang Lixin as the independent non-executive Director and agreed to the by-election of Ms. Qi Jingyao as the independent non-executive Director.

Ms. Qi Jingyao and Mr. Ran Dong resigned as independent non-executive Directors on March 26, 2025 and April 10, 2025 respectively, and the extraordinary general meeting of the Company convened on May 23, 2025 considered and approved the Resolution on Proposed By-election of Independent Non-executive Directors, which approved the by-election of Mr. Shiu Shu Ming and Dr. Ye Chengang as the independent non-executive Directors.

The extraordinary general meeting of the Company convened on May 23, 2025 considered and approved the Resolution on Consideration and Approval of Proposed By-election of a Non-executive Director, which approved the by-election of Ms. Dai Xuefen as a non-executive Director. Mr. Zhu Pai resigned as a non-executive Director of the Company on May 23, 2025.

Since the issue of the Company's Prospectus on October 23, 2024 and up to the date of this report, save as disclosed in this annual report, there has been no other change in Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of Directors

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

DIRECTORS

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Dr. Tang Li *(Chairperson, executive Director, chief scientific officer and chief marketing officer)*
Dr. Qiu Rongguo
Mr. Zhang Cheng
Dr. Guan Jin

Non-executive Directors

Mr. Tang Jin
Ms. Dai Xuefen *(appointed on May 23, 2025)*

Independent Non-executive Directors

Dr. Meng Songdong
Mr. Shiu Shu Ming *(appointed on May 23, 2025)*
Dr. Ye Chengang *(appointed on May 23, 2025)*

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

The 2024 first extraordinary shareholders' meeting of the Company held on September 27, 2024 considered and approved the Proposal on the By-election of Independent Non-executive Directors of the Second Session of the Board of Directors of the Company, which agreed to the resignation of Mr. Wang Lixin as the independent non-executive Director and agreed to the by-election of Ms. Qi Jingyao as the independent non-executive Director.

Ms. Qi Jingyao and Mr. Ran Dong resigned as independent non-executive Directors on March 26, 2025 and April 10, 2025, respectively. The Company convened an extraordinary general meeting on May 23, 2025 to consider and approve the Consideration and Approval of the Proposed By-election of Independent Non-executive Directors, which agreed to the by-election of Mr. Shiu Shu Ming and Dr. Ye Chengang as independent non-executive Directors.

The Company convened an extraordinary general meeting on May 23, 2025 to consider and approve the Consideration and Approval of the Proposed By-election of a Non-executive Director, which agreed to the by-election of Ms. Dai Xuefen as a non-executive Director. Mr. Zhu Pai resigned as a non-executive Director of the Company on May 23, 2025.

Since the issue of the Company's Prospectus on October 23, 2024 and up to the date of this report, save as disclosed in this annual report, there has been no other change in Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Company has received from each of the independent non-executive Directors an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

MAIN BUSINESS

The Company is a synthetic biology-driven biopharmaceutical company committed to product development, manufacturing and commercialization of innovative oncology products.

The activities and details of the Group are set out in note 1 to the consolidated financial statements in this annual report. An analysis of the results of the Group for the year ended December 31, 2024 is set out in the section headed "Management Discussion and Analysis" of this annual report.

There have been no significant changes in the nature of the Group's principal activities since the Listing Date and up to the date of this report.

BUSINESS REVIEW

A review of the Group's business for the year ended December 31, 2024 as required by the Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis of the future business development of the Group and the key financial and operational performance indicators adopted by the Directors in measuring the performance of the Group's business, is set out in the sections headed "Management Discussion and Analysis" and "Financial Highlights" of this annual report. These discussions form part of this Report of Directors. Events that have occurred since the end of the financial year that have had an impact on the Company are set out in the section headed "Important Events after the Reporting Period" of this annual report.

RESULTS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated financial statements contained in this annual report.

DIVIDEND

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

As of December 31, 2024, there was no arrangement under which a shareholder has waived or agreed to waive any dividend.

SHARE CAPITAL AND SHARES ISSUED

Details of the movement in the share capital of the Company for the year ended December 31, 2024 and details of the Shares issued during the year ended December 31, 2024 are set out in note 27 to the consolidated financial statements in this annual report.

RESERVES

As of December 31, 2024, the Company did not have any distributable reserves.

Details of the movement in reserves of the Company and the Group for the year ended December 31, 2024 are set out in note 29 to the consolidated financial statements and the consolidated statement of changes in equity on page 104 in this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 1202B, 12/F, Building 3, No. 22 Ronghua Middle Road, Beijing Economic-Technological Development Area, Beijing, PRC on Monday, August 25, 2025 at 3:00 p.m.. The notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, August 20, 2025 to Monday, August 25, 2025, both days inclusive, in order to determine the eligibility of Shareholders who are entitled to attend and vote at the AGM to be held on Monday, August 25, 2025. Shareholders whose name appear on the register of members of the Company on Wednesday, August 20, 2025 will be entitled to attend and vote at the AGM.

In order to be eligible to attend and vote at the AGM, all transfers accompanied by relevant share certificates and transfer forms must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, August 19, 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- financial position and additional capital requirements;
- uncertainty about the outcome of clinical development of drug candidates;
- ability to identify, discover or obtain licences for the introduction of new drug candidates;
- all major aspects of research, development and commercialization of drugs under strict regulation;
- commercialization of our drug candidates;
- reliance on third parties;

- patent and other intellectual property protection in relation to our drug candidates; and
- risks relating to our industry, business and operations.

However, the above list is not exhaustive. Investors are advised to exercise their own judgement or consult their respective investment advisers before making any investment in our H Shares. For details of other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

For measures relating to risks, please refer to the "Corporate Governance Report" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to community and achieving sustainable growth.

Further details of the Company's environmental policies and performance are set out in the "Environmental, Social and Governance Report" published in accordance with Rule 13.91 of the Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules in this annual 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2024, the Group's five largest suppliers accounted for 25.4% of the Group's total procurement, compared to 34.2% for the year ended December 31, 2023. For the year ended December 31, 2024, the Group's single largest supplier accounted for 12.6% of the Group's total procurement, compared to 15.4% for the year ended December 31, 2023.

For the year ended December 31, 2024, the Group's five largest customers accounted for 78.9% of the Group's total revenue, compared to 88.5% for the year ended December 31, 2023. For the year ended December 31, 2024, the Group's single largest customer accounted for 33.6% of the Group's total revenue, compared to 32.7% for the year ended December 31, 2023.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (who, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any interest in the Group's five largest customers or suppliers during the Reporting Period.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that various stakeholders, including investors, employees, customers, suppliers and other stakeholders that have a significant impact on the Company and on which the Company's success depends are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating and cultivating strong relationship with them.

Details of an account of the Company's key relationships with its investors, employees, customers, suppliers and other stakeholders that have a significant impact on the Company and on which the Company's success depends are set out in the "Environmental, Social and Governance Report" in this annual report.

FINANCIAL SUMMARY

The Company's H Shares were listed on the Stock Exchange on October 31, 2024. A summary of the Group's results, assets and liabilities for the last three financial years is set out in the section headed "Three-year Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements.

PROSPECTS

A description of the future development in the Company's business is provided in the "Management Discussion and Analysis — Future and Outlook".

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

We have entered into a service contract with each of our Directors and Supervisors which contains provisions in relation to, among other things, compliance with relevant laws and regulations and observance of the Articles of Association.

The principal particulars of these service contracts are: (a) each of the contracts is for a term of three years following his/her respective effective date of his/her appointment; and (b) each of the contracts is subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, we have not entered into, and do not propose to enter into any service contracts with any of our Directors and Supervisors in their respective capacities as Directors or Supervisors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

EMPLOYEES AND REMUNERATION POLICIES

A review of the employees and remuneration policies of the Group during the year is set out in the section headed "Management Discussion and Analysis — Financial Review — Employees and Remuneration Policies" of this annual report.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 34 to the consolidated financial statements in this annual report.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Directors and Supervisors, certain of whom are also employees of our Company, receive compensation in the form of fee, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

The remuneration of the Directors and Supervisors of the Group is determined by the general meeting with reference to the recommendation given by the Remuneration and Appraisal Committee, having regard to the individual performance and comparable market statistics. The remuneration of the senior management of the Group is determined by the Board with reference to the recommendation given by the Remuneration and Appraisal Committee, having regard to the individual performance and comparable market statistics.

Details of the remuneration of the Directors, Chief Executive and the five highest paid individuals for the Reporting Period are set out in note 10 to the consolidated financial statements in this annual report.

During the Reporting Period, there was no emolument paid by the Group to any of the Directors, Supervisors or any of the five highest paid individuals as an inducement to join, or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors waived or agreed to waive any emoluments for the year ended December 31, 2024.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors and Supervisors nor any entity connected with the Directors or Supervisors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended December 31, 2024.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Controlling Shareholders or their respective 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 subsisting during or at the end of the year ended December 31, 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any interest in a business which competes or is likely to compete, directly or indirectly, with business of the Group for the year ended December 31, 2024.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these non-executive Directors may hold directorships from time to time.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed from the period of the Listing Date to December 31, 2024 and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

CONNECTED TRANSACTION

Since the Listing Date and up to the end of the Reporting Period, the Group did not conduct any non-exempt connected transactions or continuing connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules.

None of the related party transactions as set out in note 33 to the consolidated financial statements in this annual report constitutes a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules since the Listing Date and up to the end of the Reporting Period.

MATERIAL LITIGATION

The Company was not involved in any new material litigation or arbitration during the year ended December 31, 2024 as at the Listing Date. The Directors were also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2024.

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

During the period from the Listing Date to December 31, 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings for the year ended December 31, 2024 are set out in note 26 to the consolidated financial statements of this annual report. During the year ended December 31, 2024, the Company did not breach any terms of loan agreements that have a material impact on the Group's operations.

DEBENTURE ISSUED

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

For the purpose of this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATION

During the Reporting Period, the Group did not make any charitable or other donations.

CORPORATE GOVERNANCE

The Company strives to attain a high standard of corporate governance to protect the interest of the Shareholders and enhance corporate value and accountability. Information on corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association or the PRC laws which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief and exemption from taxation available to the Shareholders of the Company by reason of their holding of the Shares of the Company.

PERMITTED INDEMNITY PROVISION

During the Reporting Period, the Company has maintained appropriate liability insurance for Director of the Group and such insurance remained effective.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in "Employee Stock Platforms" below, no equity-linked agreements that will or may result in the Company issuing Shares or require the Company to enter into any agreement that will or may result in the Company issuing shares were entered into by the Group, or subsisted as of December 31, 2024.

DISCLOSURE OF INTERESTS

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

As at December 31, 2024, the interests and short positions of our Directors, Supervisors and the chief executive in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) were required to be entered in the register referred to therein pursuant to Section 352 of the SFO, or (iii) were required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules were as follows:

Name of Director/ Supervisor/Chief Executive	Description of the Shares	Personal Interest	Spousal Interest	Corporate Interest	Number of Shares Held or Interested	Approximate percentage of shareholding in the total share capital of the Company (%)
Tang Li (Chairperson of the Board, executive Director, chief scientific officer and chief marketing officer)	H Shares	1,437,173	82,234	43,785,108	45,304,515	15.86
	Unlisted Shares	2,155,759	123,351	55551189	57,830,299	12.43
Qiu Rongguo (Vice-chairperson, executive Director, and chief executive officer)	H Shares	—	45,222,281	82,234	45,304,515	15.86
	Unlisted Shares	—	57,706,948	123,351	57,830,299	12.43

Long Positions in Shares of Associated Corporations of the Company

Save as disclosed above, as of December 31, 2024, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

B. Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As of December 31, 2024, after making reasonable enquiries, as far as the Company and Directors are aware, the following parties have interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO:

So far as the Directors are aware, immediately following the completion of the Global Offering and the conversion of the Unlisted Shares into H Shares, the following parties will have interests and/or short positions in the Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Name of Shareholder	Capacity/ Nature of interest	Number and description of the Shares	Approximate percentage of interest in the Company (%)	Number and description of the Shares	Approximate percentage of interest in the Company[1] (%)	Approximate percentage of interest in the Unlisted Shares/H Shares (as appropriate)[1][6] (%)
Dr. Tang Li[2][3][5]	Beneficial owner; interest of spouse; interest in controlled corporations	103,134,814 Unlisted Shares	29.47	57,830,299 Unlisted Shares	15.86	39.11
				45,304,515 H Shares	12.43	20.90
Dr. Qiu Rongguo[2][3][5]	Interest of spouse; interest in controlled corporation	103,134,814 Unlisted Shares	29.47	57,830,299 Unlisted Shares	15.86	39.11
				45,304,515 H Shares	12.43	20.90
Kevin Zhang[5]	Interest in controlled corporation	40,505,885 Unlisted Shares	11.57	20,252,942 Unlisted Shares	5.56	13.70
				20,252,943 H Shares	5.56	9.35
Hannah Qiu[5]	Interest in controlled corporation	40,505,885 Unlisted Shares	11.57	20,252,942 Unlisted Shares	5.56	13.70
				20,252,943 H Shares	5.56	9.35
Baygen QT Inc.[5]	Beneficial owner	40,505,885 Unlisted Shares	11.57	20,252,942 Unlisted Shares	5.56	13.70
				20,252,943 H Shares	5.56	9.35
Shanghai Xinsheng	Beneficial owner	34,798,296 Unlisted Shares	9.94	6,798,296 Unlisted Shares	1.86	4.60
				28,000,000 H Shares	7.68	12.92
SDIC VC	Beneficial owner	29,426,685 Unlisted Shares	8.41	29,426,685 Unlisted Shares	8.07	19.90
Shanghai Haidai	Beneficial owner	24,475,926 Unlisted Shares	6.99	12,237,963 Unlisted Shares	3.36	8.28
				12,237,963 H Shares	3.36	5.65

Name of Shareholder	Capacity/ Nature of interest	Number and description of the Shares	Approximate percentage of interest in the Company (%)	Number and description of the Shares	Approximate percentage of interest in the Company[1] (%)	Approximate percentage of interest in the Unlisted Shares/H Shares (as appropriate)[1][6] (%)
Efung Investment[6]	Interest in controlled corporation	21,827,261 Unlisted Shares	6.24	21,827,261 H Shares	5.99	10.07
Zhuhai Jingrong[3]	Beneficial owner	20,392,815 Unlisted Shares	5.83	12,235,689 Unlisted Shares	3.36	8.27
				8,157,126 H Shares	2.24	3.76
Zhuhai Huajin[4]	Beneficial owner	19,220,863 Unlisted Shares	5.49	11,532,518 Unlisted Shares	3.16	7.80
				7,688,345 H Shares	2.11	3.55

(1) The calculation is based on the total number of 147,867,143 Unlisted Shares and 216,720,857 H Shares in issue upon Listing comprising (i) an aggregate of 202,132,857 Share to be converted from the Unlisted Shares and (ii) 14,588,000 to be issued pursuant to the Global Offering.

(2) Dr. Tang Li is the spouse of Dr. Qiu Rongguo. Accordingly, Dr. Tang Li is deemed to be interested in any Shares Dr. Qiu Rongguo is interested and Dr. Qiu Rongguo is deemed to be interested in any Shares Dr. Tang Li is interested for the purpose of the SFO.

(3) As of the date of this annual report, Dr. Tang Li is the general partner of and Dr. Qiu Rongguo is a limited partner of Zhuhai Jingrong, which owns 5.59% of the total issued Shares. As of the date of this annual report, Zhuhai Jingrong is owned as to 51% by Dr. Tang Li and 49% by Dr. Qiu Rongguo. Accordingly, Dr. Tang Li is deemed to be interested in such Shares held by Zhuhai Jingrong for the purpose of the SFO. As the general partner of Zhuhai Jingrong, Dr. Tang Li is deemed to have de facto control in Zhuhai Jingrong and hence is a controller of Zhuhai Jingrong. As of the date of this annual report , Beijing Baygen owns 0.12% of the total issued Shares, and is owned as to 51% by Dr. Tang Li and 49% by Dr. Qiu Rongguo. Accordingly, Dr. Tang Li and Dr. Qiu Rongguo are deemed to be interested in such Shares for the purpose of the SFO.

(4) As of the date of this annual report, Dr. Tang Li is the general partner of Zhuhai Huajin, being one of our Employee Incentive Platforms, which owns 5.27% of the total issued Shares. Accordingly, Dr. Tang Li is deemed to be interested in such Shares held by Zhuhai Huajin for the purpose of the SFO. As the general partner of Zhuhai Huajin, Dr. Tang Li is deemed to have de facto control in Zhuhai Huajin and hence is a controller of Zhuhai Huajin.

(5) As of the date of this annual report, Baygen QT Inc. is owned as to 43.5%, 43.5%, 6.5% and 6.5% by Kevin Zhang, Hannah Qiu, Dr. Tang Li and Dr. Qiu Rongguo respectively. Kevin Zhang and Hannah Qiu are Dr. Tang Li's son and daughter. Based on an irrevocable proxy dated August 21, 2021 made among Dr. Tang Li, Dr. Qiu Rongguo, Kevin Zhang and Hannah Qiu, Kevin Zhang and Hannah Qiu had granted an irrevocable proxy vesting all voting power in the issued and outstanding shares of Baygen QT Inc. to Tang Li. Accordingly, Baygen QT Inc. is a corporation controlled by Dr. Tang Li, and Dr. Tang Li is deemed to be interest in such Shares for the purpose of the SFO. For further details on the control and power over Baygen QT Inc., please refer to the paragraph headed "History, Development and Corporate Structure — Corporate Structure — Corporate Structure Immediately before Completion of the Global Offering".

(6) As of the date of this annual report, Efung Investment Management Limited Partnership Enterprise* (深圳市倚鋒投資管理企業(有限合夥)) ("**Efung Investment**") is the general partner of Efung Ruihua and Efung XIV, each owns 4.49% and 1.50% of the total issued Shares.

(7) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares.

EMPLOYEE STOCK PLATFORMS

In order to recognise the contribution of the Company's employees and to motivate them to further promote the development of the Company, the Company has established three employee stock platforms, namely Zhuhai Huajin, Zhuhai Huaxin and Zhuhai Huarong, in accordance with the laws of the PRC.

The Company's shares were listed on October 31, 2024 on the Stock Exchange. Prior to the Listing, all the Shares held by the three employee stock platforms have been granted to the relevant persons.

The following is a summary of the principal terms of the employee incentive scheme adopted by our Company on November 18, 2020 (the "**Zhuhai Huajin Employee Incentive Scheme**"), the employee incentive scheme approved and adopted by our Company on January 1, 2021 (the "**Zhuhai Huaxin Employee Incentive Scheme**") and the employee incentive scheme approved and adopted by our Company on January 10, 2022 (the "**Zhuhai Huarong Employee Incentive Scheme**") (collectively, the "**Employee Incentive Schemes**"). For details of our Employee Incentive Schemes, please refer to "History, Development and Corporate Structure — Employee Incentive Platforms" in the prospectus.

The terms of the Employee Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as no stock will be granted under the Employee Incentive Schemes after the Listing. All awards under the Employee Incentive Scheme have been fully granted.

Purpose

The Employee Incentive Schemes aim to further stimulate the enthusiasm of the management members and personnel of our Company, enhance our Company's overall competitiveness, and ensure the achievement of the business objectives of the future development strategy of our Company. Employees shall exercise their rights in accordance with and subject to the terms of the relevant Employee Incentive agreements.

Administration

The Board of our Company is responsible for considering and approving the Employee Incentive Schemes, and has authorized, Dr. Tang Li, the chairperson of the Board, who is authorized to delegate such authority to the general manager, to formulate, revise and terminate the Employee Incentive Schemes.

The Supervisory Committee is the supervisory body of the Employee Incentive Schemes, responsible for verifying the list of grantees and supervising whether the implementation of the Employee Incentive Schemes complies with relevant laws and regulations and the Articles of Association.

Award

An award under the Employee Incentive Schemes (the "**Award(s)**") gives a participant in the Employee Incentive Schemes a right when granted the Award to obtain partnership interest in the Employee Incentive Platforms as a limited partner.

Voting Rights

All grantees under the Employment Incentive Schemes are informed and acknowledge that Dr. Tang Li, the general managing partner of Zhuhai Huajin, Zhuhai Huaxin, and Zhuhai Huarong, is entitled, pursuant to the terms of the partnership agreements, to represent Zhuhai Huajin, Zhuhai Huaxin, and Zhuhai Huarong at the Company's shareholders' meetings and to independently exercise voting rights, respectively.

Alternation, Termination and Repurchase

When the grantee's position changes but he or she remains an employee of the Company or is formally appointed by the Company to serve in a relevant subsidiary, the granted restricted stock units will remain unchanged.

In the event of any of the following circumstances occurring to the grantee, unless the Company decides otherwise, the already granted restricted stock units will be repurchased by the general managing partner of each employee incentive platform or another designated entity meeting the incentive conditions, effective from the date of occurrence:

- violation of national laws and regulations, the Articles of Association, or internal management rules, or acts of negligence or malpractice as stipulated in the employment contract, or actions seriously damaging the Company's interests or reputation, or causing direct or indirect economic losses to the Company;
- evidence provided by the Company proving that the grantee has engaged in bribery, corruption, embezzlement, theft, disclosure of business and technical secrets, or other illegal and disciplinary acts during their tenure, thus damaging the Company's interests and reputation;
- being criminally prosecuted for criminal acts; or
- other actions deemed by the Company to damage its interests.

Within 3 years after signing the equity incentive agreement, in case of any of the following circumstances occurring to the grantee, unless the Company decides otherwise, the unlocked or unvested restricted stock units will be repurchased by the general managing partner of each employee incentive platform or another designated entity meeting the incentive conditions:

- becoming a person prohibited by law from holding Company incentive shares or stock options;
- downgrading in terms of job position or dismissal due to unsatisfactory annual performance evaluations;
- leaving the Company within 3 years of the grant of incentive shares or before vesting, including but not limited to termination of labor or employment contracts, voluntary resignation, dismissal due to absenteeism, or non-renewal of contracts after their expiration;
- falling under circumstances specified in the PRC Company Law where the person cannot serve as a Director, Supervisor, or members of the senior management of the Company; or
- other circumstances determined by the Company.

If the grantee loses the ability to work, retires, or dies, the restricted stock unites shall be disposed of in accordance with the specific provisions of the Employee Incentive Schemes.

Other unspecified circumstances shall be determined by the Company and each employee incentive platform.

ZHUHAI HUAJIN EMPLOYEE INCENTIVE SCHEME

Zhuhai Huajin Employee Incentive Scheme was adopted by our Company on November 18, 2020. The following is a summary of the principal terms of the Zhuhai Huajin Employee Incentive Scheme.

Principal Terms

Implementation structure and platform

Zhuhai Huajin was established in the PRC as a limited partnership on November 13, 2020 to serve as the employee incentive platform. As of the date of this annual report, Zhuhai Huajin subscribed for approximately 5.49% of the registered capital of our Company. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure — Employee Incentive Platforms — Zhuhai Huajin" in the prospectus.

Eligible participants and grants of the Awards

Under the Zhuhai Huajin Employee Incentive Scheme, eligible participants are the management team members and related members of our R&D management team. The following individuals may not be selected as participants under the Zhuhai Huajin Employee Incentive Scheme:

- Individuals who were publicly denounced or declared as an unsuitable candidate by the CSRC within the preceding three years;
- Individuals who were subject to administrative penalty by the CSRC for major violation of laws and regulations within the preceding three years; or
- Individuals who are forbidden to hold the position of director, supervisor or senior management pursuant to our Company Law of the PRC.

The participants of the Zhuhai Huajin Employee Incentive Scheme will be granted the Awards under the scheme, where they are given a right to obtain partnership interest in Zhuhai Huajin as limited partners.

Details of the Granted Awards

As of the date of this annual report, Zhuhai Huajin held 19,220,863 Shares of our Company. The following table sets out the structure of the intended partnership interest in Zhuhai Huajin and the approximate number of corresponding Shares underlying the awards granted under the Zhuhai Huajin Employee Incentive Scheme to each of the core personnel of our R&D management team, being grantees of the relevant awards, as of the date of this annual report:

Name	Approximate intended partnership interest in Zhuhai Huajin[(Note)] (%)	Approximate number of corresponding Shares of the Awards granted under the Zhuhai Huajin Employee Incentive Scheme as of the date of this annual report
Tang Li	72.17	13,871,086
Qiu Rongguo	4.25	816,619
Tang Jin (唐進)	4.25	816,619
Kong Rixiang (孔日祥)	4.25	816,619
Hu Zhe (胡喆)	4.25	816,619
Tang Changjun (唐昌俊)	4.25	816,619
Zhang Cheng (張成)	4.25	816,619
Guan Jin (關津)	1.30	250,036
Nie Xiu Qing (聶秀清)	1.04	200,029
Total	**100.00**	**19,220,863**

Note: The table reflects the intended partnership interest in Zhuhai Huajin and its partners pursuant to our currently effective incentive scheme and incentive agreements entered into with related personnels. Nevertheless, the formal registration with the relevant authority presents another partnership structure due to the proceedings between Zhuhai Huajin and Wang Haibo. Should the judgment for the proceedings be in favor of Zhuhai Huajin, the above partnership interest shall be registered with the relevant authority.

ZHUHAI HUAXIN EMPLOYEE INCENTIVE SCHEME

Zhuhai Huaxin Employee Incentive Scheme was adopted by our Company on January 1, 2021. The following is a summary of the principal terms of the Zhuhai Huaxin Employee Incentive Scheme.

Principal Terms

Implementation structure and platform

Zhuhai Huaxin was established in the PRC as a limited partnership on January 5, 2021 to serve as the employee incentive platform. As of the date of this annual report , Zhuhai Huaxin subscribed for approximately 4.00% of the registered capital of our Company. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure — Employee Incentive Platforms — Zhuhai Huaxin" in the prospectus.

Eligible participants and grants of the Awards

Under the Zhuhai Huaxin Employee Incentive Scheme, eligible participants are the members and related personnel of the sales team of our Company. The following individuals may not be selected as participants under the Zhuhai Huaxin Employee Incentive Scheme:

- Individuals who were publicly denounced or declared as an unsuitable candidate by the CSRC within the preceding three years;
- Individuals who were subject to administrative penalty by the CSRC for major violation of laws and regulations within the preceding three years; or
- Individuals who are forbidden to hold the position of director, supervisor or senior management pursuant to our Company Law of the PRC.

The participants of the Zhuhai Huaxin Employee Incentive Scheme will be granted the Awards under the scheme, where they are given a right to obtain partnership interest in Zhuhai Huaxin as limited partners.

Details of the Granted Awards

As of the date of this annual report, Zhuhai Huaxin held 14,002,034 Shares of our Company. The following table sets out the structure of the partnership interest in Zhuhai Huaxin after the completion of the changing procedure of business registration and the subscribed capital of each of the members and related personnel of the sales team of our Company, being grantees of the relevant awards:

Name	Approximate partnership interest in Zhuhai Huaxin (%)	Approximate number of corresponding Shares of the Awards granted under the Zhuhai Huaxin Employee Incentive Scheme as of the date of this annual report
Tang Li	85.18	11,926,823
Chen Xin	4.05	567,172
Nie Xiuqing	2.14	300,044
Wu Ke	0.43	60,009
Guan Jin	1.07	150,022
Han Wenpeng	1.07	150,022
Huang Yulin	0.99	138,440
Guo Dawei	0.29	40,006
Xu Long	0.91	127,258
Zhang Qian	1.23	172,265
Zhang Feng	0.71	100,015
Huang Jin	0.47	65,119
Zheng Li	0.65	91,063
Dai Wen	0.41	57,888
Liu Xiaofeng	0.24	33,535
Sun Qingliang	0.16	22,353
Total	**100.00**	**14,002,034**

ZHUHAI HUARONG EMPLOYEE INCENTIVE SCHEME

Zhuhai Huarong Employee Incentive Scheme was adopted by our Company on January 10, 2022. The following is a summary of the principal terms of the Zhuhai Huarong Employee Incentive Scheme.

Principal Terms

Implementation structure and platform

Zhuhai Huarong was established in the PRC as a limited partnership on March 9, 2022 to serve as the employee incentive platform. As of the date of this annual report, Zhuhai Huarong subscribed for approximately 1.43% of the registered capital of our Company. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure — Employee Incentive Platforms — Zhuhai Huarong" in the prospectus.

Eligible participants and grants of the Awards

Under the Zhuhai Huarong Employee Incentive Scheme, eligible participants are the members and related personnel of the management team of our Company. The following individuals may not be selected as participants under the Zhuhai Huarong Employee Incentive Scheme:

- Individuals who were publicly denounced or declared as an unsuitable candidate by the CSRC within the preceding three years;
- Individuals who were subject to administrative penalty by the CSRC for major violation of laws and regulations within the preceding three years; or
- Individuals who are forbidden to hold the position of director, supervisor or senior management pursuant to our Company Law of the PRC.

The participants of the Zhuhai Huarong Employee Incentive Scheme will be granted the Awards under the scheme, where they are given a right to obtain partnership interest in Zhuhai Huarong as limited partners.

Details of the Granted Awards

As of the date of this annual report, Zhuhai Huarong held 5,000,724 Shares of our Company. The following table sets out the structure of the partnership interest in Zhuhai Huarong and the subscribed capital of management team members and related members of our Company, being grantees of the relevant awards:

Name	Approximate partnership interest in Zhuhai Huarong (%)	Approximate number of corresponding Shares of the Awards granted under the Zhuhai Huarong Employee Incentive Scheme as of the date of this annual report
Tang Li	34.57	1,728,653
Liu Kailin	17.30	865,225
Qiu Rongguo	16.33	816,618
Zhang Weixiu	5.80	290,042
Zhang Chuan	4.00	200,029
Peng Fei	4.00	200,029
Dai Xuefen	3.00	150,022
Zhou Quan	2.20	110,016
Huang Aoshuang	2.20	110,016
Song Xiaoqi	1.40	70,010
Xie Chunbing	1.10	55,008
Su Yuxia	1.10	55,008
Wang Aimin	1.10	55,008
Li Xu	1.10	55,008
Xiao Shicai	1.10	55,008
Xu Qiang	1.00	50,007
Liu Kexin	1.00	50,007
Sun Ying	0.50	25,004
Li Shidong	0.20	10,001
Yang Lisha	0.20	10,001
Yang Qian	0.20	10,001
Yang Mingwu	0.20	10,001
Yang Yan	0.20	10,001
He Wei	0.20	10,001
Total	**100.00**	**5,000,724**

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company issued 14,588,000 H Shares with a nominal value of RMB1.00 each at HK$16 per Share, which were listed on the Main Board of the Stock Exchange on the Listing Date. We received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK$195.89 million. There has been no change or delay in the proposed use and expected timetable of the net proceeds disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The following table sets forth the proposed use and the actual use of the net proceeds as at December 31, 2024:

Proposed use	Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Utilized amount during the year ended December 31, 2024 (HK$ million)	Unutilized amount as of December 31, 2024 (HK$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds
(i) To fund our Core Product, Utidelone Injection	44.9%	87.95	0	87.95	
For funding the phase III clinical trial of Utidelone Injection for breast cancer neoadjuvant in China	9.8%	19.20	0	19.20	By mid of 2026
For funding the phase III clinical trials of Utidelone Injection for advanced NSCLC in China	11.8%	23.12	0	23.12	By the end of 2026
For funding the phase II (pivotal) clinical trial of Utidelone Injection for lung cancer brain metastasis in China	4.6%	9.01	0	9.01	By the end of 2027
For funding the phase II-III international multicenter clinical trial of Utidelone Injection for advanced NSCLC	5.3%	10.38	0	10.38	By the end of 2027
For funding the phase III international multi-center clinical trial of Utidelone Injection for advanced breast cancer	3.5%	6.86	0	6.86	By the end of 2027
For funding the phase II (pivotal) study of Utidelone Injection for breast cancer brain metastasis in the United States	9.9%	19.39	0	19.39	By the end of 2027
(ii) To fund the ongoing and planned clinical trials and pre-clinical studies of products besides our Core Product and the investigator-initiated trials for our Core Product	38.9%	76.20	0	76.20	
For funding the phase II-III MRCT of Utidelone Capsule for advanced gastric and esophageal cancers	35.8%	70.13	0	70.13	By mid of 2028
For funding Utidelone Capsule solid tumor and advanced breast cancer pivotal study in China	1.2%	2.35	0	2.35	By mid of 2026
For funding the ongoing and planned pre-clinical studies, such as Utidelone nano-injection, Utidelone ADC, BG22, BG18 and BG44, and investigator-initiated trials for our Core Product	1.9%	3.72	0	3.72	By end of 2026

Proposed use	Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Utilized amount during the year ended December 31, 2024 (HK$ million)	Unutilized amount as of December 31, 2024 (HK$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds
(iii) To strengthen our domestic commercialization capabilities and construct our global marketing network	3.0%	5.88	0	5.88	By the end of 2026
(iv) To expand our production capacity	3.2%	6.27	0	6.27	By the end of 2026
(v) For working capital and for general corporate purposes	10.0%	19.59	0	19.59	By the end of 2026
Total	100.0%	195.89	0	195.89	

Up to December 31, 2024, no net proceeds have been utilized. The Company intends to use the net proceeds in the manner consistent with that mentioned in the section head "Future Plans and Use of Proceeds" in the Prospectus. The Company plans to utilize the net proceeds of the Global Offering in 2025. The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

Note 1: The Company utilized the proceeds from the Global Offering to subscribe for principal-protected and low-risk fund products from two different fund companies on November 22, 2024 and November 25, 2024 (the "**Two Subscriptions**" or the "**Investments**"), with an investment amount of HK$38.00 million and HK$22.00 million, respectively. The Company has fully withdrawn the Two Subscriptions and has recovered all the funds.

The subscription amount and terms of the Investments were determined by the Company's senior management after comprehensive assessment and consideration of the following factors: (i) the Group's then financial position;(ii) the expected investment returns and investment periods; and (iii) the fact that the Investments would not have a significant impact on the Group's operations and working capital. The Company's senior management considers that the terms of the Investments are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Investments were made by the Company to manage funds with the goal of achieving a balanced return while maintaining a high degree of liquidity and a low level of risk. The Company's senior management believes that the Investments have the potential to provide the Group with returns that are superior to the deposit yields typically offered by commercial banks, and that the Investments are secure, liquid, and can be redeemed at any time. In the long run, the Investments can help the Company preserve and increase the value of its funds, maintain flexibility in fund management, improve the efficiency of fund usage, and facilitate the Company's daily and general business operations. The Company has conducted treasury management activities for many years, including subscribing to short-term, principal-protected, and low-risk investment and wealth management products, and all investment plans must be reviewed and approved in advance by the management. In addition, the Company is currently maintaining a healthy and sound financial position.

For the avoidance of doubt, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for each of the Two Subscriptions does not exceed 5%. Neither of the Two Subscriptions constitutes a notifiable transaction under Chapter 14 of the Listing Rules nor a connected transaction under Chapter 14A of the Listing Rules.

As disclosed in the Prospectus, to the extent that the Company's net proceeds from the global offering (the "**IPO Proceeds**") are not immediately used for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and to the extent permitted by the relevant laws and regulations, the Company will deposit such monies into short-term interest-bearing accounts with licensed commercial banks and/or other authorized institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). Considering that the Investments are secure, liquid, and can be redeemed at any time, the Company misunderstood the nature of the Investments as being similar to bank deposits and, thus, believed that funding the Investments with the IPO Proceeds would not affect the intended use of the IPO Proceeds as disclosed in the Prospectus. As a result, the Company used part of the IPO Proceeds to fund the Investments.

The Company wishes to emphasize that the deviation from the use of the IPO Proceeds was an inadvertent oversight. The amount allocated for the subscription of the Investments has been fully recovered and will not have any impact on the subsequent normal use of the IPO Proceeds in accordance with the stated purposes as disclosed in the Prospectus or the normal operations of the Company.

Note 2: To improve the efficiency and flexibility of fund usage while ensuring compliance with the Company's fund management regulation and internal control procedures, upon approval by the Company's General Manager's Office (總經理辦公會) on November 20, 2024, Biostar Pharma, Inc. (the "**US-Biostar**"), a wholly-owned subsidiary of the Company, subscribed for a principal-and-return-guaranteed fund using its self-owned idle money in the amount of US $5.0 million (the "**Investment**"). During the payment process, US-Biostar's online banking transfer service was temporarily suspended due to bank security reviews, causing the failure of transfer of US$1.5 million among the total Investment amounts. In order to avoid default on such outstanding payment, US-Biostar entered into an agreement with the Company for a temporary bridging loan, with a term not exceeding one month. On November 28, 2024, an amount of US$1.5 million from the IPO proceeds (due to no other USD fund available) was lent to US-Biostar to complete the subscription payment. Upon US-Biostar's representative return to the U.S. on December 23, 2024 and the reactivation of US-Biostar's bank account, the US$1.5 million had been transferred back to the receiving bank account for Company's IPO proceeds in full prior to December 26, 2024.

For the avoidance of doubt, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for this Investment does not exceed 5% and therefore does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Nor does the Investment constitute a connected transaction under Chapter 14A of the Listing Rules.

The above-mentioned temporary deviation in IPO proceeds usage was caused by the inadvertent and genuine misunderstanding on the part of the Company, which misunderstood that the temporary bridging loan was intragroup in nature and could be funded by the IPO proceeds for working capital and general corporate purposes. The Investment, the temporary bridging loan and the full recovery of such loan were conducted and completed in accordance with the Company's internal procedures during the period of November and December 2024.

The Company wishes to emphasize that the temporary deviation from the use of the IPO proceeds was an inadvertent oversight, the fund has been fully recovered in a timely manner, and the arrangement has not caused any adverse impact on the subsequent normal use of the IPO proceeds in accordance with the stated purposes as disclosed in the Prospectus or on the normal operations of the Company.

To avoid similar situations in the future, the Company has reviewed its internal procedures and taken the following remedial measures:

1. Training on Listing Rules: The Directors, supervisors, senior management and responsible employees of the Company have received training regarding the relevant requirements of the Listing Rules. In the future, additional training on regulatory compliance will be scheduled regularly to enhance their understanding of the importance of compliance with the Listing Rules and to reduce the risk of recurrence of incidents. The first training, provided by a Hong Kong solicitors' firm, has been completed on February 20, 2025. The second training on Listing Rules (especially Chapter 13) and Guidelines on Disclosure of Inside Information has been completed on April 1, 2025.

2. The Company will strengthen communication with the compliance advisor to improve its familiarity with the Listing Rules. The Company plans to communicate with the compliance advisor whenever the Company is required to disclose information to the public (including but not limited to monthly returns, announcements, circulars, and financial reports, etc.), and whenever the Company comes across other ad hoc transaction from time to time, to ensure compliance with the Listing Rules. In case of any uncertain issues (including investment matters and use of the IPO proceeds), the Company will consult with the compliance advisor in a timely manner to satisfy compliance requirements.

3. The Company will strict adherence to the use of IPO Proceeds in the future: The Company will strictly apply the IPO Proceeds in accordance with the purposes set out in the Prospectus. The "Measures for the Administration of Raised Funds" (《募集資金管理辦法》) which is applicable to the Company as a Hong Kong-listed company, have been reviewed and amended by all Directors of the Company, and was approved by the Board and became effective on April 25, 2025. If there is a need to use the IPO Proceeds for other purposes in the future, the Company will perform the necessary approval procedures, consulted with compliance advisor and the PRC legal advisor of the Company, and disclosure obligations regarding changes to the use of the IPO proceeds in accordance with the requirements of the Listing Rules and the Articles of Association to ensure the compliant use of IPO proceeds.

With the trainings received and with the "Measures for the Administration of Raised Funds" (《募集資金管理辦法》) passed by the Board and taking effect, the Company will strictly follow the policies and guidelines set therein when carrying out fund raising activities. The Company will consult with its compliance and legal advisors with respect to compliance issues in a timely matter and on a regular basis; and the Company has also engaged an external internal control consultant to enhance its internal control systems to prevent re-occurrence of similar incidents in the future.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND 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 existing plan for acquiring other material investments or capital assets.

AUDITOR

The H Shares were listed on the Stock Exchange on October 31, 2024. As KPMG resigned as the auditor of the Company on April 24, 2025, an extraordinary general meeting of the Company was held on May 23, 2025 to approve the appointment of Daxin Global (HK) CPA Limited as the new auditor of the Company. The consolidated financial statements for the year ended December 31, 2024 have been audited by Daxin Global (HK) CPA Limited.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Due to the delay in the publication of the Company's 2024 annual results, upon application to the Hong Kong Stock Exchange, the trading of the Company's shares was suspended from April 1, 2025. The Company released its 2024 annual results on June 30, 2025, and upon application to the Hong Kong Stock Exchange, the trading of the Company's shares resumed on July 2, 2025.

Save as disclosed in this report, the Group is not aware of any material subsequent events that have occurred after the Reporting Period.

On behalf of the Board
Beijing Biostar Pharmaceuticals Co., Ltd.
Dr. Tang Li
Chairperson of the Board, executive Director, chief scientific officer and chief marketing officer

Beijing, the PRC, June 30, 2025

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2024.

VALUES AND CORPORATE CULTURE

The Company has always adhered to the mission of dedicated to the development of novel drugs and benefiting cancer patients, and upholds "innovation, efficiency, cooperation and mutual benefits" as its core values. We are committed to developing into a world-class anti-tumor innovative drug enterprise.

Corporate culture is the solid foundation for the Group's long-term development and good corporate governance. The Company strictly complies with national laws and regulations, continuously improves its governance structure, spares no efforts to improve corporate governance, constantly promotes the corporate culture of integrity and takes high-standard commercial morality as a criterion for operation, so as to continuously create values for shareholders, clients, employees and society.

The Board reviews the strategies and objectives of the Company annually to ensure that they remain consistent with the values and corporate culture and to ensure the long-term sustainability of the Company.

All Directors have taken the lead in practicing the corporate culture, carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and acted in the interests of the Company and its Shareholders at all times.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as the basis of the Company's corporate governance practices.

Temporary deviations from the proceeds of the Global Offering during the Reporting Period were inadvertent and such deviations have been fully recovered and did not impact the subsequently normal use of the proceeds from the initial public offering for its intended purposes as disclosed in the Prospectus or the normal operations of the Company. For details, please refer to the Report of Directors — Use of Net Proceeds from the Global Offering."

Save as disclosed above, the Directors believe that throughout the period from October 31, 2024 (the "**Listing Date**") up to December 31, 2024 (the "**Relevant Period**"), the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "**CG Code**").

The Board will continue to review and monitor the Company's practices with the aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

Since the Company's Shares were listed on the Stock Exchange on the Listing Date, the provisions regarding compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") are only applicable to the Company since the Listing Date.

Following the listing of the H Shares on the Main Board of the Stock Exchange (the "**Listing**"), the Company has adopted a code of conduct regarding dealings in the securities of the Company by the Directors, the Supervisors and the Group's employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company's securities, on terms no less exacting than the required standards set out in the Model Code as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made to all the Directors and Supervisors and they have confirmed that they have complied with the Model Code for the year ended December 31, 2024.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the Relevant Period.

The Board is well-balanced, with each member possessing comprehensive industry knowledge, extensive experience in corporate and strategic planning, and/or professional expertise relevant to the Group's business.

The Board regularly evaluates the contributions made by each director to the Company in fulfilling their responsibilities, as well as whether they have devoted sufficient time to their duties.

Board Composition

The composition of the Board as at the date of this annual report is as follows:

Executive Directors

Dr. Tang Li (唐莉) *(Chairperson of the Board, executive Director, chief scientific officer and chief marketing officer)*
Dr. Qiu Rongguo (邱榮國)
Mr. Zhang Cheng (張成)
Dr. Guan Jin (關津)

Non-executive Directors

Mr. Tang Jin (唐進)
Ms. Dai Xuefen (戴雪芬) *(appointed on May 23, 2025)*

Independent Non-executive Directors

Dr. Meng Songdong (孟頌東)
Mr. Shiu Shu Ming (蕭恕明) *(appointed on May 23, 2025)*
Dr. Ye Chengang (葉陳剛) *(appointed on May 23, 2025)*

The biographical information of the Directors is set out in the section headed "Directors, Supervisors and Senior Management — Directors" of this annual report.

Dr. Tang Li (唐莉) and Dr. Qiu Rongguo (邱榮國) are spouses, and Mr. Tang Jin and Dr. Tang Li (唐莉) are siblings.

Board Meetings, General Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year.

The Company was listed on the Stock Exchange on October 31, 2024, and did not hold any Board meetings or general meetings during the Relevant Period. During the year of 2024, a total of four Board meetings and two general meetings were held, with attendance details set out in the table below.

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Dr. Tang Li(唐莉)	4/4	2/2
Dr. Qiu Rongguo(邱榮國)	4/4	2/2
Mr. Zhang Cheng (張成)	4/4	2/2
Dr. Guan Jin (關津)	4/4	2/2
Non-executive Directors		
Mr. Tang Jin (唐進)	4/4	2/2
Mr. Zhu Pai (朱湃) *(resigned on May 23, 2025)*	4/4	2/2
Independent Non-executive Directors		
Dr. Meng Songdong (孟頌東)	4/4	2/2
Mr. Wang Lixin (王立新) *(resigned on September 27, 2024)*	4/4	2/2
Mr. Ran Dong (冉棟) *(resigned on April 10, 2025)*	4/4	2/2
Ms. Qi Jingyao (漆靜瑤) *(resigned on March 26, 2025)*	0/4	0/2

Notes: The Company convened the 2024 first extraordinary general meeting on September 27, 2024 to consider and approve the "Resolution on the By-election of Independent Non-executive Director of the Second Session of the Board of Directors of the Company", at which, Mr. Wang Lixin resigned as an independent non-executive Director, and Ms. Qi Jingyao was by-elected as an independent non-executive Director.

Ms. Qi Jingyao and Mr. Ran Dong resigned as independent non-executive Directors on March 26, 2025 and April 10, 2025, respectively. The Company convened an extraordinary general meeting on May 23, 2025 to consider and approve the "Resolution on the Consideration and Approval of the Proposed By-election of Independent Non-executive Directors", at which, Mr. Shiu Shu Ming and Dr. Ye Chengang were by-elected as independent non-executive Directors.

The Company held an extraordinary general meeting on May 23, 2025 to consider and approve the "Resolution on the Consideration and Approval of the Proposed By-election of Non-executive Director", at which, Ms. Dai Xuefen was by-elected as a non-executive Director. Mr. Zhu Pai resigned as a non-executive Director of the Company on May 23, 2025.

Code provision C.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Since the Company was listed on October 31, 2024, there had not been any meeting held by the chairman of the Board with the independent non-executive Directors without the presence of other Directors during the Relevant Period. The chairman of the Board intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

Chairman and Chief Executive Officer

Under Code Provision C.2.1 of the CG Code, the roles of Chairman and chief executive officer should be separate and performed by different individuals.

Dr. Tang Li has been serving as the chairperson of the Board and Dr. Qiu Rongguo has been serving as the chief executive officer.

Independence of Independent Non-executive Directors

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

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

As the Company was listed on the Stock Exchange on October 31, 2024, the Board will conduct an annual review of the implementation and effectiveness of the Board Independence Evaluation mechanism in 2025.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that any Directors so appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board shall assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

We have established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles of Association and the Corporate Governance Code, namely the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Strategy Committee. These Board committees should report back to the Board on their decisions or recommendations. To provide independent views and input to the Board, the Board has adopted following arrangements: (i) each committee or committee member is authorised to hire external consultants or experts for independent professional advice at the Company's expense to discharge their responsibilities; and (ii) most of the committee members in Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors. The Board is responsible for reviewing the implementation of such arrangements on an annual basis.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee include, but are not limited to, (i) supervising and evaluating the external auditor; (ii) guiding and supervising the internal auditor and communicating between the internal audit and the external audit; and (iii) reviewing and monitoring the operation of our financial reporting system, internal control system and risk management system. The Audit Committee comprises three independent non-executive Directors, namely Mr. Shiu Shu Ming, Dr. Meng Songdong and Mr. Tang Jin. Mr. Shiu Shu Ming is the chairperson of the Audit Committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the year of 2024, the attendance records of the Audit Committee members at the meetings of the Company's Audit Committee during their respective terms of office are set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Dr. Meng Songdong (孟頌東)	1/1
Mr. Wang Lixin (王立新) (resigned on September 27, 2024)	1/1
Mr. Ran Dong (冉棟) (resigned on April 10, 2025)	1/1
Ms. Qi Jingyao (漆靜瑤) (appointed on September 27, 2024; resigned on March 26, 2025)	0/0
Mr. Shiu Shu Ming (蕭恕明) (appointed on May 23, 2025)	0/0
Mr. Tang Jin (唐進) (appointed on April 3, 2025)	0/0

Nomination Committee

We have established a Nomination Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the nomination committee include but are not limited to, (i) reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; and (iii) making recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Dr. Meng Songdong, Mr. Shiu Shu Ming and Dr. Tang Li. Dr. Meng Songdong is the chairperson of the Nomination Committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the year of 2024, the attendance records of the Nomination Committee members at the meetings of the Company's Nomination Committee during their respective terms of office are set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Dr. Tang Li (唐莉)	3/3
Dr. Meng Songdong (孟頌東)	3/3
Mr. Ran Dong (冉棟) (resigned on April 10, 2025)	3/3
Mr. Shiu Shu Ming (蕭恕明) (appointed on May 23, 2025)	0/0

Remuneration and Assessment Committee

We have established a Remuneration and Assessment Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Assessment Committee include but are not limited to, (i) establishing, reviewing and providing advices to the Board on our policy and structure concerning remuneration of our Directors and senior management; (ii) determining the terms of the specific remuneration package of each executive Director and senior management; and (iii) establishing and reviewing performance-based remuneration by reference to the remuneration level of other relevant enterprises and relevant positions. The Remuneration and Assessment Committee comprises one executive Director and two independent non-executive Directors, namely Dr. Ye Chengang, Dr. Meng Songdong and Dr. Qiu Rongguo. Dr. Ye Chengang is the chairperson of the Remuneration and Assessment Committee.

During the year of 2024, the attendance records of the Remuneration and Assessment Committee members at the meetings of the Company's Remuneration and Assessment Committee during their respective terms of office are set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Dr. Qiu Rongguo (邱榮國)	1/1
Dr. Meng Songdong (孟頌東)	1/1
Mr. Wang Lixin (王立新) (resigned on September 27, 2024)	1/1
Ms. Qi Jingyao (漆靜瑤) (resigned on March 26, 2025)	0/0
Dr. Ye Chengang (葉陳剛) (appointed on May 23, 2025)	0/0

Strategy Committee

We have established a Strategy Committee. The primary duties of the Strategy Committee include, but are not limited to (i) reviewing and commenting on the long-term development and strategy planning of our Company and advising the Board on related matters; (ii) reviewing and commenting on the operational, investment, financing and R&D plans and advising the Board on related matters; and (iii) supervising the implementation of the plans and the corporate government matters and advising the Board. The Strategy Committee comprises three executive Directors, namely Dr. Tang Li, Dr. Qiu Rongguo and Dr. Guan Jin. Dr. Tang Li is the chairperson of the Strategy Committee.

During the year of 2024, the attendance records of the Strategy Committee members at the meetings of the Company's Strategy Committee during their respective terms of office are set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Dr. Tang Li (唐莉)	1/1
Dr. Qiu Rongguo (邱榮國)	1/1
Dr. Guan Jin (關津)	1/1

Nomination Policy

The Board has adopted the nomination policy (the "**Nomination Policy**"), the details of which is summarised below.

Selection Criteria

In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity. The Nomination Committee and the Board shall consider the following selection criteria, which are not meant to be exhaustive:

- the candidate's personal ethics, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experience that are relevant to the operations of the Group;
- the diversity perspectives set out in the Board Diversity Policy of the Company (as amended from time to time);
- the candidate's availability including time commitment to discharge his or her responsibility as a Director, including being able to devote sufficient time to attend Board meetings, participate in induction, trainings and other Board and Company associated activities (In the case of a candidate who will be nominated as an independent non-executive Director will be holding his or her seventh (or more) listed company directorship, the Nomination Committee should consider the reasons given by the candidate for being able to devote sufficient time to discharge his or her responsibility as an independent non-executive Director);
- the candidate for the position of an independent non-executive Director must comply with the independence criteria as prescribed under the Listing Rules (as amended from time to time);
- the current size and composition of the Board, the needs of the Board and the respective committees of the Company;
- the succession planning of members of the Board to ensure the leadership continuity and smooth functioning of the Group; and
- any other factors that the Nomination Committee and/or the Board may consider appropriate.

The Nomination Committee and the Board shall ensure that the composition of the Board is in conformity with the PRC laws, the Listing Rules and all other applicable laws and regulations.

Nomination Procedures

The recruitment, identification, evaluation, recommendation, nomination, selection and new appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria as set out in this Nomination Policy.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee shall engage with relevant departments within the Company to assess the need for new directors, documenting this assessment in writing;
- the Nomination Committee shall identify candidates to the Board through the Company's internal departments, its subsidiaries, and the talent market, and submit these candidates to the Committee;
- prior to decision-making, the Nomination Committee shall gather written information on candidates' qualifications, academic background, titles, detailed work experience, and other current roles;
- the Nomination Committee must obtain consent from the nominated individuals before listing them as proposed candidates to the Board;
- the Nomination Committee shall convene a meeting to review the qualifications of preliminary candidates based on the selection criteria set out above;
- one to two months prior to the election of new directors, the Nomination Committee shall submit candidate recommendations and relevant materials to the Board for consideration.

In the context of re-appointment of any existing member of the Board, the Nomination Committee shall submit recommendations to the Board for its consideration and propose that the candidates stand for re-election at a general meeting.

For each proposed new appointment or re-appointment of a Director, the Nomination Committee shall obtain all applicable declarations and undertakings as required under the PRC laws and the Listing Rules (as amended from time to time).

In the case of a nomination for the position of an independent non executive Director, the Nomination Committee shall ensure that the concerned candidate meets the independence criteria as prescribed under the Listing Rules.

The Board shall have the final decision on all matters related to the recommendation of candidates to stand for election at a general meeting.

The ultimate responsibility for the selection and appointment of Directors rests with the entire Board.

Reviewing and Monitoring

The Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure the effectiveness and compliance with the regulatory requirements at the relevant time and good corporate governance practices.

The Nomination Committee shall, when necessary, recommend revisions to the Nomination Policy to the Board for its consideration and approval.

Board Diversity Policy

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining the diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, our Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board having due regard to the benefits of diversity on the Board and also the specific needs of our Company without focusing on a single diversity aspect. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development as well as knowledge and experience in areas such as biology, medicine and finance. They obtained degrees in various areas including molecular immunology, clinical medicine, bioscience and economics. Furthermore, our Board has a diverse age and gender representation. Our Board currently comprises 2 female Director and 7 male Directors, ranging from 42 years old to 70 years old. As of December 31, 2024, the Group had a total of 147 employees, comprising 78 female employees and 69 male employees.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. We will maintain a focus on gender diversity when recruiting staff at the mid to senior level so as to develop a pipeline of potential female successors to our Board. Our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically to maintain gender diversity of our Board. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

The Nomination Committee will from time to time discuss and agree on expected goals to ensure board diversity, and review and, where necessary, update the board diversity policy to ensure that the policy remains effective. Our Company will disclose the biographical details of each Director and report on the implementation of the board diversity policy (including whether we have achieved board diversity) in our annual corporate governance report.

Corporate Governance Function

The Audit Committee is responsible for performing the functions set out in Code Provision A.2.1 of the Corporate Governance Code.

During the Reporting Period, the Audit Committee has determined, developed, and reviewed the Company's policy and practices on corporate governance and made recommendations to the Board. It has reviewed and monitored the training and continuous professional development of Directors and senior management and the Company's policy and practices regarding compliance with legal and regulatory requirements. In addition, it has formulated, reviewed and monitored adherence to the Model Code and Employees Written Guidelines, and reviewed the Company's compliance with the Corporate Governance Code and the disclosures contained in this Corporate Governance Report.

Risk Management and Internal Control

The Company's auditor, Daxin Global (HK) CPA Limited expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2024 (the "Qualified Opinion"). For further details, please refer to the section headed "Modified Audit Opinion, Management Discussion and Analysis" in this report.

With the view to prevent recurrence of similar audit issues, the Company has resolved not to make further investments in private or unlisted fund structures going forward. This decision, approved by the Board, has been incorporated into the Company's enhanced internal control framework for investment decision-making.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness annually. 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 Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

1. The Company's internal audit function carry out regular risk assessment to ensure that the risks faced by the Company are effectively identified, and fully communicated with the management to formulate the risk preference and risk response strategy.

2. The Company has developed a clear organizational structure, clarified the authority and responsibility of the departments, and developed a system and operating rules covering various key business processes.

3. The Company attaches great importance to cultivating the risk management awareness and risk management culture of employees at all levels, and provides related training for employees to ensure that employees fully understand the requirements of risk management in daily operation.

The Company has established an internal audit function conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Board, as supported by the Audit Committee as well as the internal audit function and the external professional firm, conducted an annual review of the risk management and internal control during the Reporting Period and concluded that apart from the content disclosed in the section headed "Use of Net Proceeds from the Global Offering" in the Report of Directors, there had been no other deficiency in material risk control nor any other weakness in material risk control based on the outcome of the risk management and internal control work implemented by the Group as of December 31, 2024. The Board was of the view that the risk management and internal control system of the Group is effective and sufficient.

The Company has engaged external professional firm for the internal audit function and independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to all material controls and provided its findings and recommendations for improvement to the Audit Committee.

Whistleblowing Policy

The Company has established the whistleblowing policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

Anti-Corruption Policy

The Company has also established the anti-corruption policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports according to the procedures as set out in the Whistleblowing Policy.

Disclosure of Inside Information Policy

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2024 with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

Insurance cover for Legal Actions against Directors

The Company has arranged appropriate liability insurance cover for legal actions against Directors, in compliance with Code Provision C.1.8 of the CG Code. This insurance provides additional protection and assurance for Directors in the execution of their duties.

Auditors' Remuneration

KPMG resigned as the Company's auditor on April 24, 2025, and the Company convened an extraordinary general meeting on May 23, 2025 to approve the appointment of Daxin Global (HK) CPA Limited as the new auditor.

For the financial year 2024, no non-audit service fees were incurred for the former auditor, KPMG, with audit service fees amounting to RMB1,800,000; no non-audit service fees were incurred for the newly appointed external auditor, Daxin Global (HK) CPA Limited, with audit service fees amounting to RMB1,650,000.

Joint Company Secretaries

Mr. Liu Kailin and Mr. Chan Yik Pun are our joint company secretaries. For biographical details of our joint company secretaries, please refer to the section headed "Biographies of our Directors, Supervisors and Senior Management" in this report. Mr. Liu Kailin and Mr. Chan Yik Pun have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

Convening of Extraordinary General Meetings by Shareholders

Pursuant to Article 51 of the Articles of Association, the Shareholders individually or jointly holding more than 10% (including 10%) of total Shares with voting rights of the Company have the right to propose an extraordinary general meeting to the Board, the Board shall provide written feedback on whether to convene the meeting. In the case of disapproval, or no written reply of the Board is given within 10 days, the foregoing Shareholders may submit a written request to the Supervisory Board to convene an extraordinary general meeting. If the Supervisory Board fails to issue a notice of general meeting within 5 days, the Shareholders individually or jointly holding more than 10% of Shares with voting rights of the Company for 90 consecutive days or above may convene and preside over the meeting on its/their own.

Putting Forward Proposals at General Meetings

Pursuant to Article 56 of the Articles of Association, when the Company convenes a general meeting, the Shareholders holding, individually or jointly, more than 1% of the Company's Shares may make provisional proposals in writing to the convener 10 days prior to the general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting and announce the contents of such provisional proposals within two days after receipt thereof.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Directors, Supervisors and senior management officers shall provide explanations and statements relating to the queries and suggestions put forward by the shareholders at the general meeting.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (https://www.biostar-pharm.com), where relevant latest information, the up-to-date status of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

The Company endeavours to maintain an on-going dialogue with Shareholders and, in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Contact Details

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

Address: 1202B, 12th Floor, Building 3, Yard 22, Ronghua Middle Road, Beijing Economic-Technological Development Area, Beijing, PRC
Fax: +86-10-67864938
Email: ir@biostar-pharma.com
Website of the Company (https://www.biostar-pharm.com/)

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

Changes in Constitutional Documents

There was no change in the Articles of Association of the Company for the period from October 31, 2024 ("**Listing Date**") to December 31, 2024.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

Environmental, Social, and Governance Report

This Report is the first Environmental, Social and Governance ("**ESG**") report issued by Beijing Biostar Pharmaceuticals Co., Ltd. (the "**Company**"or "**Beijing Biostar Pharmaceuticals**", together with its subsidiaries, collectively referred to as the "**Group**" or "**we**"), aiming to report on the Group's management approach and performance in relation to ESG matters for the year 2024 to our stakeholders.

CORPORATE PHILOSOPHY

Beijing Biostar Pharmaceuticals is a Chinese company principally engaged in the research and development, manufacturing and sales of innovative pharmaceuticals. The Company's products and pipelines mainly include Utidelone Injection, Utidelone Capsule, Utidelone Nanoformulation, Utidelone Antibody Drug Conjugate (ADC), BG22, BG18, and BG44. The Company's products are mainly used for the treatment of relapsed or metastatic breast cancer, neoadjuvant therapy for human epidermal growth factor receptor-2 (HER2)- breast cancer, brain tumours such as advanced non-small cell lung cancer (NSCLC), solid tumours, breast cancer brain metastases, lung cancer brain metastases and other brain tumour indications. The Company mainly conducts business in the domestic market.

REPORTING GUIDELINES AND PRINCIPLES

This Report has been prepared in accordance with Appendix C2, Environmental, Social and Governance Reporting Guide of the Main Board Listing Rules of the Stock Exchange of Hong Kong. In the light of the actual circumstances of the Group, based on the reporting principles of "materiality", "quantification", "balance", and "consistency". All disclosed content and data are derived from the Group's internal records and documents.

REPORTING SCOPE AND REPORTING PERIOD

The environmental and social disclosures in this report include the locations of the Group's principal operating entity in the PRC, namely the office in Beijing and the production base in Chengdu. This report covers the period from January 1 to December 31, 2024, which is consistent with the financial year covered by this annual report.

FEEDBACK

The Group remains committed to improving its ESG disclosure and welcomes your feedback and suggestions on this report or our performance in sustainable development by email to ir@biostar-pharma.com.

SUSTAINABILITY GOVERNANCE

Board Statement

The Board is responsible for overseeing the Group's opportunities and risks in sustainable development and ensuring that ESG initiatives are in line with its growth strategy. The Group actively integrates sustainable development principles into its daily management and operations through the establishment of a core governance framework and timely implementation of appropriate measures. The Group has set a series of environmental targets to support energy conservation, emissions reduction, and waste management initiatives, and the Board regularly monitors progress towards these targets. The Group aims to align with the national vision of carbon neutrality and enhance its corporate reputation.

The Board has reviewed and approved this report, confirming the accuracy, truthfulness, and completeness of its contents. To the best of their knowledge, this report has objectively outlined the materiality analysis process and the Group's management practices and performance on material issues.

The Group's ESG governance structure consists of the Board and the ESG Taskforce. The Board is responsible for the Group's ESG strategy deployment, and with the support of the Taskforce, oversees significant ESG-related matters, including but not limited to the ongoing assessment of the Group's ESG management, discussions, evaluations, and approvals on significant issues and objectives in the Company's operations, information disclosure, and external reporting.

The ESG Taskforce consists of core members from different departments and is responsible for preparing the annual ESG report with a third-party consulting firm, including the collection of relevant data and information. The Taskforce reports to the Audit Committee of the Board on the implementation of ESG strategies, progress made towards the Group's ESG goals, and assists in identifying ESG-related risks and evaluating the effectiveness of internal control mechanisms. In addition, the Taskforce regularly reviews the Group's performance in different aspects such as environmental management, safety production, labour standards, and product responsibility.

Communication with Stakeholders

The Group attaches paramount importance to stakeholders' view on business operations and ESG issues. Through comprehensive and transparent communication channels, we identify expectations and requirements of stakeholders, and continuously refine our sustainability strategies and initiatives based on their feedbacks. In this way, we can strengthen mutual trust and cooperation to achieve the sustainable development goals and create a future of economic growth, environmental friendliness and social advancement.

In developing our business operations and ESG strategies, we take into account the expectations of our stakeholders through a variety of engagement methods and communication channels, as set out in the table below:

Stakeholder Groups	Communication Channels	Issues of Concern
Investors and shareholders	• Annual general meetings • Financial reports • Announcements and circulars • Investor conferences	• Timely announcement of the latest corporate information • Financial performance • Corporate sustainable development
Government and regulatory bodies	• Regular conference • Regular performance report • On-site inspection	• Comply with relevant laws and regulations • Corporate social responsibility
Suppliers	• Supplier management conferences and events • Supplier on-site audit management and payment	• Fair competition • Business ethics and reputation • Win-win cooperation
Employees	• Employee opinion survey • Intranet	• Health and safety • Equal opportunity • Remuneration and benefits • Career development
Customers	• Customer satisfaction survey and feedback form • Customer service center • Customer service manager	• Carry out products and services responsibility • Protect customers' information and privacy
Communities, NGOs and the media	• Public and community events and partnership projects on different topics • ESG reports	• Contribute to the society • Environmental protection • Compliance operation

Materiality Assessment

In order to ensure that this report has fully covered and responded to the major concerns of stakeholders, in addition to regular communication with stakeholders, the Group has also referred to various resources of company internal policies, industry trends and materiality map by Sustainability Accounting Standards Board to identify issues with potential and actual impact to the Group's sustainable development.

The Group has performed materiality assessment on various factors, such as its strategies, development and goals, for environmental, social and governance issues, and graded the environmental, social and governance issues and their respective impact related to the stakeholders.

Significant environmental, social and governance issues were considered to have or may have a significant impact on the following:

- Intellectual property protection;
- Product and service quality; and
- Employees training and development.

ENVIRONMENTAL MANAGEMENT

The Group is committed to promoting a sustainable business model through concrete actions and strictly abides by environmental laws and regulations in the locations of its operations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Law on the Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》), Law on the Prevention and Control of Solid Waste Pollution to the Environment of the PRC (《中華人民共和國固體廢物污染環境防治法》) and Law on Energy Conservation of the PRC (《中華人民共和國節約能源法》). The Group has also developed the Environmental Protection Management System (《環境保護管理制度》) to establish a sound environmental management system to comprehensively cover the Group's environmental protection management work.

Emission Control

Emissions of Air Pollutants

The Group's emissions of nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM) mainly come from the combustion of fuels in factory and vehicle equipment during operations. The Group has implemented proactive measures to reduce emissions of air pollutants, including the adoption of spray absorption purification and activated carbon adsorption treatment systems, the deployment of dedicated personnel to manage and maintain the daily operation of the emission control equipment, and the installation of on-line monitoring equipment for surveillance. During the year ended December 31, 2024, the types and volumes of air pollutants emissions by the Group were shown as follows:

Type of Air Pollutants	Unit	Quantity of Emission in 2024
Nitrogen oxides (NOx)	g	**1,282.82**
Sulfur oxides (SOx)	g	**8.42**
Particulate matter (PM)	g	**22,855.36**

The Group is committed to reduce greenhouse gas emissions. It aims to realise the goal of maintaining or reducing the total emissions intensity of air pollutants within the next reporting year based on the 2024 benchmark.

Greenhouse Gas (GHG) Emissions

The Group's direct GHG emissions come from the use of refrigerant in the manufacturing plants, consumption of diesel generators and petrol fuel for vehicles. Indirect GHG emissions come from purchased electricity. During the year ended December 31, 2024, the types of direct and indirect GHG emissions and emissions of the Group were as follows:

Major emission types	Unit	Emissions in 2024
Direct emissions (Scope 1)	tonnes	**178.64**
Indirect emissions (Scope 2)	tonnes	**1,706.76**
Total GHG emissions	tonnes	**1,885.40**
GHG emission intensity	kg/total production (pieces)	**17.44**

The Group is committed to the reduction of GHG emissions. Through its energy saving policies and green measures, the Group aims to achieve its goal of maintaining or reducing its total GHG emissions intensity in the next reporting year, with 2024 as the base year.

Sewage and Waste

The wastewater generated by the Group is mainly from domestic wastewater generated from production, quality inspection, office and living. During the year, the Group discharged 14,407 cubic metres of wastewater and 4,314 tonnes of steam emissions. In order to ensure that the wastewater meets the discharge standards, we constructed sewage treatment plant, treating the sewage by hydrolysis acidification and secondary biological contact oxidation system, and established the Sewage Treatment Plants Management Procedures (《污水處理站管理規程》) to regulate the management of sewage treatment plants.

Hazardous waste generated by the Group during the production process mainly includes distillation residue and waste organic solvents. During the year ended December 31, 2024, the types and emissions of hazardous waste generated by the Group were as follows:

Type of hazardous wastes	Unit	Emissions in 2024
Distillation residue	tonnes	**59.04**
Waste organic solvent	tonnes	**2.25**
Resin waste	tonnes	**1.69**
Test liquid waste	tonnes	**0.78**
Waste glassware	tonnes	**0.50**
Culture-medium waste	tonnes	**0.35**
Waste engine oil	tonnes	**0.06**
Waste-activated carbon	tonnes	**0.05**
Contaminated waste	tonnes	**0.02**
Waste reagent	tonnes	**0.01**
Total hazardous waste emissions	tonnes	**64.75**
Hazardous waste emission intensity	kg/total production (pieces)	**0.60**

The non-hazardous waste generated from the production and operation of the Group mainly includes office waste, waste cartons, and paper. During the year ended December 31, 2024, the types and emissions of non-hazardous waste generated by the Group were as follows:

Type of non-hazardous wastes	Unit	Emissions in 2024
General waste	tonnes	**0.90**
Plastic waste	tonnes	**0.57**
Waste carton	tonnes	**0.22**
Paper	tonnes	**0.08**
Total non-hazardous waste emissions	tonnes	**1.77**
Non-hazardous waste emission intensity	kg/total production (pieces)	**0.02**

The Group continues to regulate the management of waste to ensure efficient and safe disposal of waste. We strictly comply with relevant laws and regulations and have formulated the Waste Disposal Management Procedures《廢物處理管理規程》) to regulate the collection, storage, transportation, utilisation and disposal of hazardous and non-hazardous waste. In addition, the Group has strengthened the management of hazardous waste labelling and hazardous waste containers and packaging must be equipped with hazardous waste identification signs.

We seek to control the generation of waste at source through environmental education and publicity, as well as the implementation of measures such as waste separation in various departments. In addition, the Group actively promotes green office practices by centralising the recycling of waste paper and waste packaging boxes, and using online platforms to disseminate information, with an aim to minimise the generation of waste and eliminate unnecessary waste of resources. The Group will adhere to the principles of environmental protection and aims to maintain or reduce the intensity of non-hazardous waste in the next reporting year.

During the year, the Group strictly complied with the laws and regulations and did not record any cases of violation of the laws and regulations relating to emission of exhaust gas and greenhouse gas, discharge of water and land, and generation of hazardous and non-hazardous waste.

Resource Consumption

The Group continued to optimize its energy consumption and management policies. We place emphasis on the management of major energy consuming equipment and standardization of equipment operation processes. Through the formulation of the Environmental Protection Management System, we establish a sound environmental management system to reduce resource consumption and improve energy utilization rate, thus promoting sustainable development of the Group.

Energy Consumption

Energy consumption in the Group's daily operations includes petrol, diesel and purchased electricity. The Group is committed to the energy efficiency management. We install and use energy-saving equipment in our daily office work and manufacturing processes, and train employees to develop energy-saving and environmental awareness, fostering a culture of sustainability, such as automatically turning off equipment when not in use. For the year ended December 31, 2024, the Group's energy consumption was as follows:

Type of Energy	Unit	Consumption in 2024
Direct energy consumption		
Diesel	kWh	**1,284.40**
Unleaded petrol	kWh	**5,549.28**
Indirect energy consumption		
Electricity	kWh	**2,992,742.00**
Total energy consumption	kWh	**2,999,575.68**
Total energy consumption intensity	kWh/total production (item)	**27.74**

The Group targets to maintain or reduce its total energy consumption intensity in the next reporting year.

Water Resource Management

Under national laws and regulations, the Group protects and reasonably utilizes water resources to ensure a good water control management and continuously improves employees' awareness about water conservation. We save water by recycling concentrated water at pure water stations.

Water Consumption	Unit	Consumption in 2024
Total water consumption	m^3	**16,604.00**
Water consumption intensity	m^3/total production (item)	**0.15**

The Group targets to maintain or reduce its water consumption intensity in the next reporting year. During the year, the Group did not experience any problems in securing appropriate water sources.

Packaging Material Management

The packaging materials consumed in the operations of the Group mainly include package inserts, bottle labels, cartons, and vials.

Packaging Material	Unit	Consumption in 2024
Aluminum-plastic cap	item	**118,000**
Vial	item	**116,727**
Bottle label	item	**111,316**
Carton	item	**109,556**
Package insert	item	**105,503**
Rubber stopper	item	**99,200**
Big box	item	**1,817**
Clinical medication carton	item	**303**
Total packaging material consumption	item	**662,422**
Packaging material consumption intensity	item/total production (item)	**6.13**

Ecological Environment Protection

The Group is committed to reducing the impact of business operations on the environment and natural resources by continuously improving the environmental management mechanism, implementing a series of pollution prevention and energy conservation and emission reduction measures to ensure that exhaust gas and wastewater emissions are in compliance with standards, and striving to build a green enterprise. In the past year, the Group was not aware of any incidents that have caused significant pollution or damage to the nearby air, land, water and ecological environment.

CLIMATE CHANGE

The Group strives to address the risks and opportunities posed by climate change and had policies in place to manage the environmental impact of its operations.

Physical Risks

As a synthetic biology-driven biopharmaceutical company, we fully understand the long-term potential risks to our daily operations and employee safety brought by extreme weather and natural disasters caused by climate change, such as rising sea levels, persistent high temperatures, typhoons and heavy rainfall. Therefore, we have developed measures to prevent and respond to unexpected disasters to ensure the safety and health of employees, paying special attention to employees living in extreme weather prone areas and making appropriate adjustments to their work arrangements to ensure their safety. In addition, to reduce the impact of climate change on our operations, we actively explore new business models to reduce or avoid additional operating costs and accidents caused by climate change.

Transition Risks

We continuously monitor the latest climate-related legislation and regulations, as well as their impact on the industry. Under the global vision of carbon neutrality, the national targets for carbon peaking in 2030 and carbon neutrality by 2060 further restrict greenhouse gas emissions from businesses. More stringent environmental laws and regulations may increase policy risks for companies and affect their reputation, capital investments, and compliance costs. To address this, we regularly monitor climate-related trends, policies and regulations, and alert senior management when necessary to avoid increased costs, non-compliance fines, or reputational risks due to delayed responses.

Climate-related Opportunities

Global warming creates environments conducive to the survival and spread of various diseases, posing challenges to public health. Currently, the risks associated with climate change and the trend of an ageing population are prompting many consumers to pay attention to the development of the pharmaceutical industry, which has opened up new opportunities for our drug research and development.

EMPLOYEES

We adhere to a talent-first governance philosophy, highly value the commitment of every employee and appreciate their contributions to the sustainable development of the Group. We strictly comply with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》and other relevant laws and regulations, regarding remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other aspects. In accordance with these laws and regulations, the Group has formulated the Employee Handbook and various personnel management systems and policies to clarify management processes related to recruitment, onboarding, departure, remuneration, attendance, probation, and reward and punishment systems, thereby standardizing and institutionalizing decision-making and further enhancing human resource management. During the year, the Group was not aware of any material breach of human resources related laws and regulations.

Remuneration and Welfare

The Group has a well-established remuneration system that ensures employees are fairly and reasonably remunerated and incentivised. We strictly comply with the relevant national and regional laws and regulations, and pay "Five Social Insurances and One Housing Fund", i.e. pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund, in accordance with law, to ensure that employees enjoy social insurance benefits. For employees with outstanding performance, all rewards are filed with the Human Resources Department and serve as an important criteria for their salary increases, promotions, and advancements. In addition to salary and social security insurance, we also provide paid annual leave, maternity leave, nursing leave, sick leave, personal leave and other leave benefits to enhance the quality of life of our employees and strengthen their sense of belonging.

Equal Opportunities

The Group is committed to providing an equal and inclusive working environment for its employees, ensuring their legitimate rights and interests while guaranteeing orderly production management. We eliminate discrimination based on race, religion, nationality, social status, gender, and other differences in recruitment, remuneration, training and promotion. All our employees are entitled to fair treatment and job opportunities, and we respect their lifestyles, religious beliefs, and freedom of speech. At the same time, we strictly punish all unethical behaviours such as malicious attacks, defamation and slander. If such behaviours are found, the Human Resources Department will take economic or administrative actions according to the specific circumstances, and those involving serious cases will be dismissed.

Employee Composition

Currently, our employees are mainly from Mainland China and Hong Kong. As of the end of 2024, the Group has a total of 147 employees. Details of the employees are set out below:

	2024
Total number of employees	**147**
By gender	
Male	**69**
Female	**78**
By age	
<25 years old	**4**
25–29 years old	**19**
30–39 years old	**70**
40–49 years old	**35**
>50 years old	**19**
By employee category	
Junior employees	**96**
Senior employees	**28**
Management	**23**
By region	
China	**147**

Employee Turnover

During the year, the Group recorded a total of 119 employee departures. Details of the turnover of departed employees are set out below:

	2024	
	Number of turnover	Percentage of the total number of employees
Total turnover	**119**	**62%**
By gender		
Male	**63**	**68%**
Female	**56**	**57%**
By age		
<25 years old	**2**	**57%**
25–29 years old	**23**	**87%**
30–39 years old	**70**	**71%**
40–49 years old	**20**	**48%**
>50 years old	**4**	**20%**
By region		
China	**119**	**62%**

On November 14, 2024, the Group entered into an exclusive marketing service agreement with Beijing Baheal Zhihe Medical Achievement Transformation Service Co., Ltd.* (北京百洋智合醫學成果轉化服務有限公司), a wholly-owned subsidiary of Qingdao Baheal Medical INC.* (青島百洋醫藥股份有限公司) (stock code: 301015.SZ), for the market promotion of Utidelone Injection starting from January 1, 2025. In the same year, the Group experienced a high employee turnover rate, with the majority of departing employees being marketing staff. Some of these former employees directly joined Baheal and continued to engage in marketing business cooperation, including for Utidelone Injection.

Health and Safety

The Group attaches great importance to the health and safety of its employees and is committed to providing a safe, healthy and comfortable working environment for its employees. We have adopted and maintained a series of rules, standard operating procedures, and measures to safeguard the health and safety of our employees. The Group strictly complies with Labour Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and Production Safety Law of the People's Republic of China and other laws and regulations relating to the prevention and control of occupational diseases. During the year, the Group was not aware of any material breach of laws and regulations relating to employee health and safety. The Group has formulated a number of policies and management procedures to safeguard the occupational health and safety of its employees against occupational disease hazards and risks. During the past three years, there was no work-related fatality involved. The number of work injury cases and lost days due to work injury during the past three year was listed below:

Occupational health and safety performance	**2024**	2023	2022
Number of work injury cases	**–**	2	–
Lost days due to work injury	**–**	9	–

Safety Production Management

In order to enhance the safety management of production bases and ensure that the production process fully complies with the requirements of Good Manufacturing Practices, we have formulated safety guidelines that detail potential safety hazards, safe operation procedures, accident prevention, and incident reporting procedures. We also ensure that our employees continuously and appropriately confirm their understanding of safety matters when necessary. We have established a comprehensive production safety responsibility system, clarifying the responsibilities and obligations of various departments and personnel in production safety to strengthen preventive measures. In addition, we regularly provide safety awareness training for our employees, including courses related to occupational health and safety. We also maintain health records for all employees and conduct health checks before and during their employment, especially for those who engaged in work involving occupational hazards.

Fire Safety Management

Fire safety management is one of the important components of the Group's safety work. We strictly comply with the Fire Prevention Law of the People's Republic of China and have formulated the Fire Safety Management System and the Fire Facilities Management System to establish the safety operation rules for fire safety, and to reduce or avoid the safety accidents. The Company has also established a volunteer fire brigade and provides fire safety training to employees to ensure the comprehensive implementation of safety systems. Employees are required to be able to handle emergencies properly and organize rescue effectively in the event of a fire alarm or fire. In addition, we have formulated clear regulations on the configuration, maintenance, upkeep, and management of fire-fighting equipment. The Group's leaders at all levels place high importance on fire safety work and has established a strict fire prevention responsibility system.

Establish an Information Board on Occupational Health, Safety, Fire Prevention and Environmental Protection in the Production Park

Fire Evacuation Drills and Basic Knowledge Training

Development and Training

Development and training of our employees is the key to our business success. It is also the core driving force behind the Group's enduring vitality. Through a robust training system that comprehensively addresses the diverse skill enhancement needs of our employees, we enhance individual professional skills and expand professional knowledge reserves. This, in turn, cultivates high-quality talents and ensures the continuous growth of employees' professional capabilities.

In order to standardize and enhance our training management work, the Group has formulated the Staff Training Management Policy and established a comprehensive employee education and development management system. We provide employees with various training programs to enhance employees' professional skills and promote their career development. In addition, based on employees' work backgrounds and personal development goals, we have developed personalized career development plans to provide employees with smooth development channels and continuous development space. At the end of each year, department heads will summarize the Group's annual training plan according to the department's business needs and employee development requirements. We held approximately 2,849 hours of trainings during the Year with details listed below:

	2024	
	Number of employees trained	% of total number of employees
Total number of employees trained	**153**	**100%**

By gender	Number of employees trained	% of total number of employees
Male	**79**	**52%**
Female	**74**	**48%**

Type of employment	Number of employees trained	% of total number of employees
Junior Staff	**110**	**72%**
Senior Staff	**32**	**21%**
Management	**11**	**7%**

Training hours	2024 Hours
Total hours	**2,849**
Average training hours completed	
Each employee participated in	**19.38**
By gender	
Male	**18.23**
Female	**20.40**
Type of employment	
Junior Staff	**25.22**
Senior Staff	**12.23**
Management	**3.70**

Special Equipment Management Training for Leading Personnel

Safety Production Month Training

Labor Standards

The Group strictly complies with laws and regulations regarding labor standards, such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Prohibiting Use of Child Labor (《禁止使用童工規定》), and the Law of the People's Republic of China on Protection of Minors (《中華人民共和國未成年人保護法》). During the recruitment process, we assess the suitability of applicants for the positions they are applying for by means of interviews, background checks, etc., to understand their previous work experiences, life backgrounds, professional knowledge, and comprehensive skills. We firmly prohibit the employment of child labor. If any employee suspects or discovers the existence of child labor or forced labor, he/she should report it to department supervisor or executive directors. During the Year, the Group has not found any significant issues that violate any laws and regulations regarding child labor and forced labor.

Supply Chain Management

By establishing a sustainable supply chain and a set of standardized procurement management process, the Group has been a better position to manage the environmental, social and governance risks within the supply chain. We have formulated a series of policies, including the Procedures for Supplier Management (《供應商管理規程》), the Procedures for Supplier Selection Management (《供應商選擇管理規程》) and the Procedures for Materials and Supplies Procurement Management (《物資物料採購管理規程》), which provide detailed guidance for the Group in selecting and evaluating the performance of suppliers. As a result, we are able to select suppliers and business partners with a good business track record and without any material violations of regulations or unethical business practices. During the Year, the Group had a total of 154 suppliers. Due to the specific characteristics of pharmaceutical industry, all of these suppliers are based in China.

The Group's procurement is carried out under the principles of compliance with laws and regulations, fairness, impartiality and transparency. We aim to establish long-term mutually beneficial and win-win relationships with suppliers and foster high-quality suppliers to continuously improve the quality of procurement. The Quality Assurance Department conducts strict reviews of suppliers' eligibility for admission. It collects and examines suppliers' business licenses, relevant operation permits, as well as qualification certificates or honors in aspects such as technology, quality and environmental protection, and compiles supplier files. In accordance with the Procedures for Supplier Management (《供應商管理規程》), the Quality Assurance Department conducts an annual quality assessment on suppliers to ensure their stability and reliability.

OUTSTANDING AWARDS

Name	Awarding Organization	Photo
"2024 Gelonghui Golden Award" — "Outstanding Innovative IPO of the Year"	Gelonghui	
"2024 Beijing Maker Challenge" Enterprise Group TPO150 "2024 Beijing Maker Challenge" Third Prize in the Healthcare Industry "2024 Beijing Maker Challenge" BOE • Life Science and Healthcare Special Competition Winner	Beijing Municipal Bureau of Economy and Information Technology, Beijing Municipal Bureau of Finance, Beijing Haidian District People's Government, Zhongguancun Science City Management Committee	
Beijing Foreign-Funded R&D Center	Beijing Municipal Science and Technology Commission, Zhongguancun Science Park Management Committee	

ACADEMIC ACHIEVEMENTS

In 2024, multiple research outcomes were published at international conferences, with specific achievements as follows:

2024 American Society of Clinical Oncology (ASCO) Annual Meeting

Five latest clinical research datasets related to our core products, Utidelone Injection and Utidelone Capsule, were accepted by the ASCO meeting, garnering attention from global oncology researchers. These include studies on Utidelone Injection for the treatment of breast cancer brain metastasis, advanced gastric cancer, and prostate cancer; as well as Utidelone Capsule for the treatment of advanced breast cancer (China) and advanced solid tumors (United States).

2024 Chinese Society of Clinical Oncology (CSCO) Annual Meeting

Preliminary data from a multicenter, single-arm Phase II clinical study on Utidelone in combination with gemcitabine for the first-line treatment of unresectable advanced pancreatic cancer were presented, showing potential to challenge the "king of cancers."

PRODUCT RESPONSIBILITY

Product quality is one of key factors for the sustainable development of an enterprise. The Group strictly complies with relevant laws and regulations such as the Good Supply Practice for Pharmaceutical Products (《藥品經營質量規範》), the Good Manufacturing Practice for Pharmaceutical Products (《藥品生產質量管理規範》), the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), and the Measures for the Reporting and Monitoring of Adverse Drug Reactions (《藥品不良反應報告和監測管理辦法》). In addition, we have formulated a series of internal systems to manage quality risks and ensure product quality. We continuously improve our product quality management system, thereby striving to provide high-quality products to our customers.

Product Quality and Safety

The Group has always been committed to providing customers with healthy and safe products, which is our unremitting pursuit. To ensure the quality of pharmaceuticals, we have formulated internal management documents such as the Production Management Procedures (《生產管理規程》), the Production Test Management Procedures (《生產試驗管理規程》), the Management Procedures for Handling Production Abnormalities and Emergency Situations (《生產異常及緊急情況處理管理規程》), and the Management Procedures for the Release of Intermediate Products and Finished Products (《中間產品、成品放行管理規程》). These documents provide clear guidance for our production process, ensuring that our products always meet the highest quality standards.

There have been no major violations of relevant laws and regulations regarding the quality of the Group's products and services over the past year. We have strictly complied with all regulations and conducted regular internal and external audits to ensure that our operations meet legal and quality standards. Moreover, we have continuously improved and optimized our production processes to further enhance the quality and safety of our products. The Group always gives top priority to the health and safety of our customers and is committed to providing high-quality products and services. We will continue to strive, through continuous innovation and improvement, to meet the needs of our customers and make contributions to the health and well-being of society.

In order to promptly recall products that are known or suspected to have quality issues, the Group has formulated the Disposal Plan for Drug Safety Incidents (《藥品安全事件處置方案》) and the Management Procedures for Significant Product Quality Accidents (《重大產品質量事故管理規程》), with an aim to reduce the potential impact of sold products on customers and properly handle related matters. We have established the Drug Safety Committee and the Drug Safety Leading Group to be responsible for managing and handling drug safety incidents. We classify products into two levels according to the severity of potential safety hazards and harms. Level I refers to major drug safety incidents, and Level II refers to general drug safety incidents. Once pharmaceuticals are confirmed to be recalled upon investigation and evaluation, the recall team will carry out the recall work in accordance with the Procedures for Drug Recall Management (《藥品召回管理規程》) and the Administrative Measures for Drug Recalls (《藥品召回管理辦法》). During the Year, the Group did not record any matters related to the recall of products due to safety and health reasons.

Customer Satisfaction and Privacy Protection

The Group has always attached great importance to and valued customers' feedback and suggestions to ensure accurate judgment and proper handling of customer complaints, thereby promoting the continuous improvement of product quality and the quality management system. We encourage customers to express their opinions through various channels and have adopted a sound complaint handling mechanism to ensure timely follow-up and resolution of the issues raised by customers. Once we receive a customer complaint, we will respond to the customer immediately, providing preliminary feedback on the acceptance of the complaint, and conduct a detailed assessment of the reasonableness of the complaint. If the complaint is determined to be reasonable, we will promptly launch a comprehensive investigation and decide, as needed, whether to return the product from the customer or initiate a product recall procedure. In addition, we will carefully analyze whether the issues in the complaint stem from internal process or management deficiencies of the Company. After the investigation is completed, we guarantee that we will provide our customers with detailed replies and solutions within several working days. During the Year, the Group did not receive any major complaints related to our products and services.

In its business activities, the Group rarely involves the collection and processing of customers' personal data. We are fully aware of the importance of protecting corporate assets and customers' interests. Therefore, only authorized employees are permitted to access the customer information system and the employee personal information system, and any act of misusing personal information or making illegal profits is strictly prohibited. We will continue to strengthen data protection measures to ensure the security and confidentiality of customers' information.

Intellectual Property Rights

Intellectual property is a critical safeguard for the innovative development of enterprises. We place great emphasis on the protection and management of intellectual property, achieving significant results. In 2024, we secured 17 new PCT patent authorizations, covering aspects such as genetically engineered bacteria, crystal forms, and new dosage forms of our core products. These patents not only further solidify our leading position in the research and development of innovative anti-tumor drugs but also establish a robust intellectual property barrier for the Company's future development. Additionally, we obtained 13 new trademark authorizations, further enhancing the Company's brand influence and market competitiveness.

In accordance with laws and regulations such as the PRC Patent Law (《中華人民共和國專利法》), the Group has established a sound intellectual property management system to ensure that all management work is carried out in an orderly manner and to prevent any acts of trademark infringement.

In addition, the Group requires all employees to take necessary measures to protect existing trademark rights and encourages employees to report any suspected violations through the reporting channels to ensure that the internal norms and codes of the Company are strictly adhered to.

ANTI-CORRUPTION

The Group upholds the ethical standards of integrity and compliance with laws in business, and is committed to creating a clean and honest business environment. We strictly abide by relevant laws and regulations in China that prevent bribery, extortion, fraud, and money laundering including the Criminal Law of the PRC (《中華人民共和國刑法》). The Group has established the Anti-commercial Bribery System (《反商業賄賂制度》), the Anti-fraud System (《反舞弊制度》), and the Anti-money Laundering, Anti-terrorist Financing and OFAC Management System (《反洗錢、反恐怖融資及OFAC管理制度》) to construct an integrity mechanism that conforms to business ethical norms and complies with the laws and regulations in China.

We require all personnel in positions such as procurement and marketing to sign the Anti-commercial Bribery Undertaking Letter (《反商業賄賂承諾書》) with the Company. At the same time, when conducting business cooperation with major customers, suppliers, service providers, and contractors, the Company will, if necessary (depending on the negotiation), sign a Sunshine Agreement on anti-commercial bribery with them.

During the Year, the Group was not aware of any major matters that violate the laws and regulations related to the prevention of bribery, extortion, fraud, and money laundering. There were also no concluded legal cases of corruption filed against the Group or its employees during the Year.

Whistle-blowing Procedures

When employees, customers, suppliers or other third parties are involved in or witness any form of improper behavior, fraud or non-compliance, they can use the reporting hotline or email box and other channels established by us to file a report, so as to prevent the occurrence of bribery, extortion, fraud and money laundering. Once any report on fraud, corruption and non-compliance is received by the Group, it will be immediately handled by the internal audit department. We promise to handle each report in a confidential and prudent manner, and strictly keep the identities of the whistleblowers and relevant third parties confidential.

Anti-corruption Training

In order to create a cultural environment of integrity and self-discipline, we provide anti-corruption training for all newly hired employees, enabling them to become familiar with their respective roles and responsibilities in terms of anti-corruption and business ethics, and ensuring that they comply with applicable laws and regulations.

COMMUNITY INVESTMENT

We have always been committed to community investment, as we firmly believe that the success of an enterprise is not only reflected in its business achievements but also in its positive impact on society. Through activities such as voluntary blood donations by our employees and visits to welfare institutions, we contribute to the sustainable development of the community. We believe that only when the community thrives can an enterprise achieve long-term development. We will continuously strengthen our cooperation with the community and jointly create a better future.

General disclosure and key performance indicator in the index of environmental, social and governance reporting guide of the stock exchange:

Item		Description	Reference Section
A. Environmental			
A.1：Emissions			
General disclosure		Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management
Key performance indicator (KPI)	A1.1	The types of emissions and respective emissions data.	Emissions of Air Pollutants
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Greenhouse Gas (GHG) Emissions
	A1.3	Total hazardous waste produced and intensity.	Sewage and Waste
	A1.4	Total non-hazardous waste produced and intensity.	Sewage and Waste
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions of Air Pollutants, Greenhouse Gas (GHG) Emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled and a description of reduction target(s) set and steps taken to achieve them.	Sewage and Waste
A2：Use of Resources			
General disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Consumption
KPI	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Consumption
	A2.2	Water consumption in total and intensity.	Water Resource Management
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Consumption
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Resource Management
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Packaging Material Management
A3：The Environment and Natural Resources			
General disclosure		Policies on minimizing the issuer's significant impact on the environment and natural resources.	Ecological Environment Protection
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Ecological Environment Protection

Item		Description	Reference Section
A4：Climate Change			
General disclosure		Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI	A4.1	Description of the significant climate related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social			
B1：Employment			
General disclosure		Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employees
KPI	B1.1	Total employees by gender, employment type, age group and geographical region.	Employee Composition
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Turnover
B2：Health and Safety			
General disclosure		Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	B2.2	Lost days due to work injury.	Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
B3：Development and Training			
General disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Item		Description	Reference Section
B4：Labor Standards			
General disclosure		Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labor.	Labor Standards
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labor Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards
B. Social			
B5：Supply Chain Management			
General disclosure		Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
B6：Product Responsibility			
General disclosure		Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality and Safety
	B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Satisfaction and Privacy Protection
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Product Quality and Safety
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Satisfaction and Privacy Protection

Item		Description	Reference Section
B7：Anti-corruption			
General disclosure		Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption Training
B8：Social Responsibility			
General disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Independent Auditor's Report

TO THE SHAREHOLDERS OF BEIJING BIOSTAR PHARMACEUTICALS CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Beijing Biostar Pharmaceuticals Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 101 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in note 16(iii) to the consolidated financial statements, the Group invested in certain non-voting participating redeemable shares of an unlisted fund (the "**Fund**") for a consideration of USD5,000,000 (equivalent to approximately RMB35,942,000) during the year ended December 31, 2024. The Fund is classified by the Company's management as financial assets mandatorily measured at fair value through profit or loss in accordance with HKFRS 9 "Financial Instruments" in the consolidated statement of financial position.

The Fund is engaged in investment in certain listed and private investments ("**Fund Investments**"). In the opinion of the directors of the Company, the fair value of the Group's investment in the Fund was USD5,000,000 (equivalent to approximately RMB35,942,000), being the Group's historical cost of the investment in the Fund, at December 31, 2024 and no fair value gain or loss was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

However, we were unable to obtain sufficient appropriate audit evidence about the existence, rights and obligations, completeness, accuracy and valuation of the underlying assets, including the Fund Investments, and liabilities of the Fund, which are significant inputs for the measurement of fair value of the Group's investment in the Fund. We were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves that: (i) the fair value of the Group's investment in the Fund of USD5,000,000 (equivalent to approximately RMB35,942,000) at December 31, 2024 was properly determined in accordance with HKFRS 13 "Fair Value Measurement" ("**HKFRS 13**") and there was no fair value gain or loss for such investment for the year then ended; and (ii) whether the relevant information was properly disclosed as required by HKFRS 13 and other applicable HKFRS. Consequently, we were unable to determine whether any adjustments to these amounts and additional disclosures were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. In addition to the matter described in Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to have communicated in our report.

Key Audit Matters	**How are audit addressed the key audit matters**
Recognition and measurement of research and development costs	
The Group incurred research and development ("**R&D**") costs of RMB116,292,000 for the year ended December 31, 2024. We identified the recognition and measurement of R&D costs as a key audit matter because their authenticity, integrity and accuracy have a significant impact on the consolidated financial statements and of the risk that R&D costs and other costs are not accurately divided.	Our procedures in relation to the recognition and measurement of R&D costs included: • Obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls related to the Group's R&D costs recognition process; • Evaluating whether the R&D costs are true based on inspect contracts, invoices, payment documents, etc.; • Evaluating whether the collection scope of R&D costs is appropriate and relevant to R&D activities; • Evaluating whether the depreciation, amortisation and employee benefits expenses allocated to R&D costs are consistent with the collection scope; • Evaluating the reasonableness of the progress of the main service projects in combination with the test conditions and contract terms according to the relevant contracts of pre-clinical trials and clinical trials; • Testing the amount of expenses incurred according to the progress of contract implementation and comparing with the records;

Key Audit Matters	How are audit addressed the key audit matters
	• Evaluating whether the amount of R&D costs incurred accurately and included in the appropriate period based on obtain external evidence of the transaction amount of relevant R&D costs; and • Evaluating the authenticity of the service for material amount of R&D based on inspect the deliverables provided by the service supplier and assess the background of the service supplier.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the above matters. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended December 31, 2023 were audited by another auditor who express an unmodified opinion on those statements on October 23, 2024.

Daxin Global (HK) CPA Limited
Certified Public Accountants
Room 1101,
11th floor,
29 Austin Road,
Tsim Sha Tsui,
Kowloon, Hong Kong
June 30, 2025

Chung Wai Chuen, Alfred
Practising Certificate Number P05444

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	**71,866**	66,635
Cost of sales		**(10,780)**	(19,810)
Gross profit		**61,086**	46,825
Other income and net gains	7	**26,736**	31,694
Selling and distribution expenses		**(61,926)**	(95,397)
Administrative expenses		**(52,339)**	(43,900)
Research and development expenses		**(116,292)**	(126,537)
(Impairment loss)/reversal of impairment loss on trade and other receivables		**(294)**	1,284
Other operating expenses		**(691)**	(3,556)
Finance costs	8	**(56)**	(57)
Loss before taxation	8	**(143,776)**	(189,644)
Income tax	9	**—**	—
Loss for the year attributable to equity shareholders of the Company		**(143,776)**	(189,644)
Other comprehensive income for the year (with nil tax effect)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of an overseas subsidiary		**364**	476
Total comprehensive expense for the year attributable to equity shareholders of the Company		**(143,412)**	(189,168)
Loss per share (RMB)			
Basic and diluted	12	**(0.41)**	(0.54)

Consolidated Statement of Financial Position

At December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**163,724**	122,710
Right-of-use assets	14	**13,556**	13,477
Intangible assets	15	**752**	1,627
Financial assets mandatorily measured at fair value through profit or loss	16	**35,000**	—
Rental and utilities deposits		**953**	1,000
		213,985	138,814
CURRENT ASSETS			
Inventories	17	**31,419**	27,267
Trade and other receivables	18	**28,139**	15,947
Prepayments	19	**67,075**	14,300
Financial assets mandatorily measured at fair value through profit or loss	16	**105,989**	235,611
Restricted bank balances	20(a)	**8,184**	—
Fixed deposits with banks	20(a)	**268,738**	302,318
Cash and cash equivalents	20(a)	**189,714**	38,087
		699,258	633,530
CURRENT LIABILITIES			
Trade and other payables	21	**72,916**	42,987
Contract liabilities	22	**4,717**	—
Amounts due to related parties	33(d)	**863**	24
Lease liabilities	23	**665**	732
		79,161	43,743
NET CURRENT ASSETS		**620,097**	589,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**834,082**	728,601

Consolidated Statement of Financial Position (Continued)

At December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Other payables	21	**—**	4,453
Contract liabilities	22	**42,453**	—
Lease liabilities	23	**517**	167
Deferred income	24	**366**	820
		43,336	5,440
NET ASSETS		**790,746**	723,161
CAPITAL AND RESERVES			
Share capital	27(a)	**364,588**	350,000
Reserves		**426,158**	373,161
TOTAL EQUITY		**790,746**	723,161

The consolidated financial statements on pages 101 to 160 were approved and authorised for issue by the board of directors on June 30, 2025 and are signed on its behalf by:

Tang Li
Director

Guan Jin
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Share capital RMB'000	Capital reserves RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2023	350,000	1,057,449	(826)	(538,698)	867,925
Loss for the year	—	—	—	(189,644)	(189,644)
Exchange differences on translation of financial statements of an overseas subsidiary	—	—	476	—	476
Total comprehensive expense for the year	—	—	476	(189,644)	(189,168)
Equity-settled share-based payment (Note 25(d))	—	44,404	—	—	44,404
At December 31, 2023	350,000	1,101,853	(350)	(728,342)	723,161
At January 1, 2024	**350,000**	**1,101,853**	**(350)**	**(728,342)**	**723,161**
Loss for the year	**—**	**—**	**—**	**(143,776)**	**(143,776)**
Exchange differences on translation of financial statements of an overseas subsidiary	**—**	**—**	**364**	**—**	**364**
Total comprehensive expense for the year	**—**	**—**	**364**	**(143,776)**	**(143,412)**
Issuance of H shares (Note 27(a))	**14,588**	**199,376**	**—**	**—**	**213,964**
Transaction costs attributable to issue of shares upon listing (Note 27(a)(i))	**—**	**(12,027)**	**—**	**—**	**(12,027)**
Equity-settled share-based payment (Note 25(d))	**—**	**9,060**	**—**	**—**	**9,060**
At December 31, 2024	**364,588**	**1,298,262**	**14**	**(872,118)**	**790,746**

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES			
Loss before taxation		**(143,776)**	(189,644)
Adjustments for:			
Amortisation of deferred income on government grant		**(454)**	—
Write-down of inventories		**304**	773
Impairment loss/(reversal of impairment loss) on trade and other receivables		**294**	(1,284)
Depreciation of property, plant and equipment		**7,505**	8,032
Depreciation of right-of-use assets		**1,424**	1,385
Amortisation of intangible assets		**875**	1,205
Finance costs		**56**	57
Unrealised gains on financial assets mandatorily measured at fair value through profit or loss		**(48)**	(9,097)
Interest income from bank deposits		**(15,623)**	(13,138)
Equity-settled share-based payment expense		**9,060**	44,404
Net foreign exchange gains		**(5,018)**	(4,652)
Loss on disposal of property, plant and equipment		**243**	—
Operating cash flows before movements in working capital		**(145,158)**	(161,959)
(Increase)/decrease in inventories		**(4,456)**	3,069
(Increase)/decrease in trade and other receivables		**(12,486)**	25,221
Increase in restricted bank balances		**(8,184)**	—
Decrease in rental and utilities deposits		**47**	—
Decrease/(increase) in prepayments		**2,848**	(8,952)
Increase in trade and other payables		**17,500**	3,386
Decrease in provision		**—**	(10,838)
Increase in contract liabilities		**47,170**	—
Decrease in deferred income		**—**	(705)
CASH USED IN OPERATIONS AND NET CASH USED IN OPERATING ACTIVITIES		**(102,719)**	(150,778)
INVESTING ACTIVITIES			
Interest received		**15,623**	13,138
Payment for the purchase of property, plant and equipment		**(40,805)**	(27,840)
Payment for financial assets mandatorily measured at fair value through profit or loss		**(562,109)**	(535,000)
Proceeds from redemption of financial assets mandatorily measured at fair value through profit or loss		**657,138**	753,477
Prepayments for subscription of unlisted funds		**(55,623)**	—
Placement of fixed deposits with banks		**(545,953)**	(435,801)
Proceeds from redemption of fixed deposits with banks		**585,927**	363,301
NET CASH GENERATED FROM INVESTING ACTIVITIES		**54,198**	131,275

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES			
Proceeds from issuance of H shares upon listing	27(a)	**213,964**	—
Shares issuance costs paid upon listing	27(a)	**(12,027)**	—
Advances from related parties	20(b)	**858**	—
Repayment of advances to related parties	20(b)	**—**	(68)
Capital element of lease rentals paid	20(c)	**(1,220)**	(1,005)
Interest element of lease rentals paid	20(c)	**(56)**	(57)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**201,519**	(1,130)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**152,998**	(20,633)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**38,087**	60,106
EFFECT OF EXCHANGE RATE CHANGES		**(1,371)**	(1,386)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20(a)	**189,714**	38,087

1. GENERAL INFORMATION

Beijing Biostar Pharmaceuticals Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") as a limited liability company under the Companies Law of the PRC on July 11, 2002 and converted from a limited liability company into a joint stock company with limited liability on May 8, 2021. The address of its registered office is Room 310, 3/F., Building 3, No. 88 Courtyard, Kechuang Sixth Street, Beijing Economic-Technological Development Area, Beijing, PRC and the Company's head office and principal place of business in the PRC is Unit 1202, Tower B, Yicheng Fortune Center, Beijing Economic-Technological Development Area, Beijing, PRC. The Company's shares have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since October 31, 2024.

The Company and its subsidiaries (together as the "**Group**") are principally engaged in the research and development ("**R&D**"), manufacturing and sale of innovative drugs. The principal activities of its subsidiaries are set out in note 35.

In the opinion of the directors of the Company, at December 31, 2024, the immediate and ultimate parent of the Group is BAYGEN QT INC., a company incorporated in the United States, and the ultimate controlling party of the Group to be Dr. Tang Li and Dr. Qiu Rongguo, who are acting in concert of the Company. BAYGEN QT INC. does not produce financial statements available for public.

The consolidated financial statements are presented in Renminbi ("**RMB**"). RMB is the functional currency of the Company's and its subsidiary established in the PRC. The functional currency of the Company's subsidiaries outside the mainland China are Hong Kong dollars ("**HKD**") or United States dollars ("**USD**"). The Group translates the financial statements of the Company's subsidiaries outside mainland China from HKD/USD into RMB.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

3. APPLICATION OF NEW OR AMENDMENTS TO HKFRSs

(a) Application of new and amendments to HKFRSs

All of the new and amendments to HKFRSs that are effective on January 1, 2024 have been applied by the Group.

3. APPLICATION OF NEW OR AMENDMENTS TO HKFRSs (Continued)

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeablity[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Annual Improvements to HKFRSs 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]
HKFRS 18 and consequential amendments to other HKFRSs	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosure[3]
Amendments to HKFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

HKFRS 18 and consequential amendments to other HKFRSs are effective for annual reporting 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 consolidated statement of profit or loss and disclosures in the future consolidated financial statements. The directors of the Company are in the process of assessing the detailed impact on the consolidated financial statements.

Except for the aforesaid, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the material accounting policy information set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policy information applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to December 31. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 4(f)(ii)).

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss ("**FVPL**") and trade receivables without a significant financing component. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

Financial assets at amortised cost

Financial assets (including rental and utilities deposits, trade and other receivables, restricted bank balances, fixed deposits with banks and cash and cash equivalents) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Financial assets at FVPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt instruments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as financial assets at fair value through other comprehensive income on initial recognition.

Financial assets at FVPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost, less accumulated depreciation and any accumulated impairment losses (see note 4(f)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in the profit or loss during the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment, other than construction in progress, is calculated at rates sufficient to write off their costs less their estimated residual value, if any, over the estimated useful lives on a straight-line basis, and is generally recognised in profit or loss. The estimated useful lives and residual value rates are as follows:

	estimated useful lives	residual value rate
Buildings	20 years	5%
Machinery and equipment	5–10 years	5–10%
Vehicles	4–5 years	5–10%
Furniture, fixtures and others	3–5 years	5–10%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents plant and buildings under construction and equipment pending installation and is stated at cost less any impairment losses (see note 4(f)(ii)). Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Intangible assets

Intangible assets, including intellectual properties and softwares, that are acquired by the Group and that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 4(f)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives based on the Group's past experiences and different purposes of usage of the assets and the authorised period for such usage are as follows:

Intellectual properties	2.75–12 years
Softwares	3–10 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and do not have a purchase option and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised at the commencement date of the lease, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss in the accounting period in which they are incurred. Lease payments also include amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 4(f)(ii)). The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group presents right-of-use assets, that do not meet the definition of investment property or inventory, as a separate line item in the consolidated statement of financial position.

Refundable rental deposits paid are accounted under HKFRS 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leased assets (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate used to determine those payments, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate. When there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate, being the interest rate implicit in the lease for the remainder of the lease term, or the Group's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. When the lease liability is remeasured in either of these ways, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") and that is not accounted for as a separate lease. In this case, the consideration in the modified contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the associated non-lease components are included in the respective lease components. The lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position. In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(f) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, fixed deposits with banks, restricted bank balances, trade and other receivables, and rental and utilities deposits), which are held for the collection of contractual cash flows which represent solely payments of principal and interest.

Other financial assets measured at fair value, including financial assets mandatorily measured at FVPL, are not subject to the ECL assessment.

ECLs are measured on either of the following bases:

— 12-month ECLs ("**12m ECLs**"): these are the portion of ECLs that are expected to result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that are expected to result from all possible default events over the expected life of a financial instrument to which the ECL model applies.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12m ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For all other financial instruments, the Group recognises a loss allowance equal to 12m ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in a financial instrument's external credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor;

— existing or forecast changes in the technological, market, economic or legal environments that have a significant adverse effect on the debtor's ability to meet its obligation to the Group;

— an actual or expected internal credit rating downgrade for the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring; and

— significant adverse changes in the expected performance and behaviour of the borrower.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of default

For internal credit risk management, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Measurement and recognition of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

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.

The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors and internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, rental and utilities deposits, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU 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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 CGUs. 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 CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Inventories

Inventories are initially stated at cost and subsequently carried at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Low value consumables, packaging materials, and other turnover materials are amortised using the one-time amortisation method and included in the cost of relevant assets or current profit and loss.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 4(f)(i)).

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs (see note 4(f)(i)).

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 4(l)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable would also be recognised (see note 4(h)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 4(l)(ii)).

(l) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes.

Revenue from sales of goods

The Group recognises revenue of the sales contract between the Group and its customers at a point in time when the customer obtains control of the relevant goods. The Group fulfils its performance obligations in accordance with the provisions of the contract. Generally, when the product is transported to the location designated by the sales customer and accepted by the customer, control of the product is deemed to have been transferred to the customer, and the Group recognises revenue accordingly.

Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. Unless special approval granted, the Group generally provides credit terms to customers within 60 days from the date of billing.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 "Revenue from Contracts with Customers" and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Revenue and other income (Continued)

(iii) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group 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 as other income in profit or loss of the period in which it becomes receivable. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related asset.

(m) Research and development expenses

Research and development expenses comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

(ii) Equity-settled share-based payments

The grant-date fair value of equity-settled share-based payment arrangements (i.e. restricted shares) granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Income tax

Income tax represents the sum of the current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(q) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction and are not re-translated. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve.

(r) Equity instruments

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

(s) Related parties

A related party is a person or entity that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(s) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies, which are described in note 4, and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

(a) Critical accounting judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's pipelines are capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development.

Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. During both years, the Group's development expenditures incurred did not meet these capitalisation principles for any products and were expensed as incurred.

(b) Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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.

Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors and internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 30(a) and 18, respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (Continued)

(b) Key sources of estimation uncertainties (Continued)

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the reporting periods. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are R&D, manufacturing and sale of innovative drugs.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of goods	**71,866**	66,635

During the year, the Group recognised its revenue from contracts with customers at a point in time in accordance with the accounting policies as set forth in note 4(l)(i).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

At December 31, 2024 and 2023, there is no remaining performance obligation under the Group's existing contracts.

(b) Segment reporting

(i) Segment information

The Group manages its businesses as a whole in a manner consistent with the way in which information is reported internally to the Group's most senior executive management (the chief operating decision maker or "**CODM**") for the purposes of resource allocation and performance assessment.

The Group identifies reportable segments according to the types of products they offer.

The directors of the Company have determined that the Group has only one operating and reportable segment, being R&D, manufacturing and sale of innovative drugs.

Since this is the only one operating segment of the Group, no segment information is presented other than entity-wide disclosures.

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information

No geographical information is presented as the revenue and loss from operations of the Group are substantially derived from activities in the PRC and all of its non-current assets and capital expenditure are located/incurred in the PRC.

(iii) Information from major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2024 **RMB'000**	2023 RMB'000
Customer A	**—***	8,047

* Customer A contributes less than 10% of the Group's revenue for the year ended December 31, 2024.

7. OTHER INCOME AND NET GAINS

	2024 **RMB'000**	2023 RMB'000
Interest income from bank deposits	**15,623**	13,138
Net foreign exchange gains	**5,542**	4,652
Government grants (Note (i))	**2,263**	4,586
Net realised and unrealised gains on financial assets mandatorily measured at FVPL	**3,217**	9,097
Compensation from suppliers	**91**	221
	26,736	31,694

Note:

(i) Government grants mainly include rewards received from local governments for the grants received to encourage the Group for talent introduction and innovation. There are no unfulfilled conditions attaching to these government grants.

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2024 RMB'000	2023 RMB'000
Interest expenses on lease liabilities	**56**	57

(b) Employee benefits expenses (including directors' remuneration)#

	2024 RMB'000	2023 RMB'000
Salaries, wages, bonuses and other benefits	**65,044**	69,624
Contributions to retirement benefits scheme	**6,409**	6,291
Equity-settled share-based payment expenses (Note 25(d))	**9,060**	44,404
	80,513	120,319

Employee benefits expenses of RMB1,251,000 (2023: RMB2,290,000), RMB27,921,000 (2023: RMB50,804,000), RMB17,769,000 (2023: RMB27,586,000), RMB28,012,000 (2023: RMB33,586,000) and RMB5,560,000 (2023: RMB6,053,000) have been charged to cost of sales, selling and distribution expenses, administrative expenses, research and development expenses, and inventories respectively for the year ended December 31, 2024.

(c) Other items

	2024 RMB'000	2023 RMB'000
Auditor's remuneration		
— current external auditor	**1,650**	—
— former external auditor	**1,800*** **	—***
Depreciation charge		
— property, plant and equipment (Note 13)	**7,505**	8,032
— right-of-use assets (Note 14)	**1,424**	1,385
Amortisation charge of intangible assets (Note 15)	**875**	1,205
Loss on disposal of property, plant and equipment	**243**	—
Listing expenses (included in administrative expenses)	**24,433*** **	5,409***
Research and development expenses*	**116,292**	126,537
Cost of inventories** (Note 17)	**9,787**	15,819

* Research and development expenses include RMB30,357,000 (2023: RMB36,705,000) relating to employee benefits expenses, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in note 8(b) for each type of these expenses for the year ended December 31, 2024.

** Cost of inventories includes RMB7,703,000 (2023: RMB13,224,000) relating to employee benefits expenses, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in note 8(b) for each type of these expenses for the year ended December 31, 2024.

*** Auditor's remuneration of RMB3,343,952 (2023: RMB400,000) is included in the listing expenses for the year ended December 31, 2024.

9. INCOME TAX

PRC Enterprise Income Tax

The basic tax rate of the Company and its PRC subsidiary is 25% under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law.

According to the EIT Law and its relevant regulations, entities qualified as a high-technology enterprise ("**HNTE**") are entitled to a preferential income tax rate of 15%. The Company obtained its certificate of HNTE on December 17, 2021, with a validity period of three years. The Company is entitled to a preferential income tax rate of 15% during the years ended December 31, 2024 and 2023.

According to Announcement No. 23 of the Ministry of Finance in 2020, from January 1, 2021 to December 31, 2030, enterprise income tax ("**EIT**") will be levied at a reduced rate of 15% on encouraged industrial enterprises located in the western region ("**Western Development**"). Encouraged industrial enterprises refer to those listed in the Catalogue of Encouraged Industries in the Western Region. The industrial projects specified in the regulations are mainly engaged in business, and their main business income accounts for more than 70% of the total revenue of the enterprise. The Group's subsidiary in the PRC applies a preferential income tax rate of 15% for the Western Development during the years ended December 31, 2024 and 2023.

United States Corporate Income Tax

Pursuant to the income tax rules and regulations of the United States ("**US**"), the Group's subsidiary in the US was liable to US federal income tax determined by income ranges and state income tax for the years ended December 31, 2024 and 2023. The Group's subsidiary in the US did not have assessable profits during the years ended December 31, 2024 and 2023.

Hong Kong Profits Tax

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporations is taxed at 8.25%, and profits above HKD2 million is taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the year. No provision for taxation in Hong Kong Profits Tax was made as the Group's subsidiary in Hong Kong did not have assessable profits during the year ended December 31, 2024.

The reconciliation between tax expense and loss before taxation at applicable tax rates is as follows:

	2024 **RMB'000**	2023 RMB'000
Loss before taxation	**(143,776)**	(189,644)
Tax at the domestic tax rate of 25% (Note (i))	**(35,944)**	(47,411)
Effect of preferential income tax rates	**14,070**	18,964
Tax effect of non-deductible expenses	**3,782**	1,326
Tax effect of non-taxable income	**(312)**	(535)
Tax effect of unused tax losses not recognised	**30,900**	37,702
Tax effect of bonus deduction for research and development expenses (Note (ii))	**(12,496)**	(10,046)
Actual tax expense	**–**	–

9. INCOME TAX (Continued)

Hong Kong Profits Tax (Continued)

Notes:

(i) The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used which is PRC EIT rate.

(ii) An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the EIT Law and its relevant regulations.

Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 4(o), at December 31, 2024, the Group has not recognised deferred assets in respect of cumulative tax losses of RMB390,534,000 (2023: RMB320,422,000), as it is not probable that future taxable profits against which the losses can be utilised before they expire.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses as at December 31, 2024 will expire in the following years:

	2024	2023
	RMB'000	RMB'000
2024	**—**	53,488
2025	**49,249**	49,249
2026	**10,156**	10,156
2027	**53,541**	53,541
2028	**153,988**	153,988
After 2028	**123,600**	—
	390,534	320,422

All the tax losses of the Company can be carried forward for a maximum period of ten years pursuant to Notice No.76 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on July 31, 2018, since the Company obtained its certificate of HNTE (see note 9 above).

All the tax losses of the Group's subsidiary in the PRC, Chengdu Biostar Pharmaceuticals Co., Ltd., can be carried forward for a maximum period of five years under the EIT Law.

10. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of Directors', chief executive's, supervisors and the five highest paid employees are as follows:

(a) Directors', Chief Executive ("CE") and Supervisors emoluments

Year ended December 31, 2024

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
CE and Executive Director						
Dr. Qiu Rongguo	–	1,899	101	–	–	2,000
Executive Directors						
Dr. Tang Li	–	1,953	101	–	4,451	6,505
Mr. Zhang Cheng	–	565	131	42	–	738
Dr. Guan Jin	–	1,099	296	66	1,417	2,878
Independent Non-executive Directors						
Mr. Wang Lixin (Note (i))	113	–	–	–	–	113
Dr. Meng Songdong	150	–	–	–	–	150
Mr. Ran Dong	150	–	–	–	–	150
Ms. Qi Jingyao (Note (ii))	38	–	–	–	–	38
Non-executive Directors						
Mr. Zhu Pai (Note (iii))	–	–	–	–	–	–
Mr. Tang Jin	–	263	76	–	–	339
Supervisors						
Mr. Zhang Shufeng	–	–	–	–	–	–
Ms. Zhou Quan	–	223	46	37	259	565
Mr. Kong Rixiang	–	419	71	66	–	556
	451	6,421	822	211	6,127	14,032

10. DIRECTORS', CHIEF EXECUTIVE, SUPERVISORS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors', Chief Executive ("CE") and Supervisors emoluments (Continued)

Year ended December 31, 2023

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
CE and Executive Director						
Dr. Qiu Rongguo	—	1,604	296	—	—	1,900
Executive Directors						
Dr. Tang Li	—	1,622	294	—	18,488	20,404
Mr. Zhang Cheng	—	594	141	41	4,279	5,055
Dr. Guan Jin (Note (iv))	—	977	287	128	517	1,909
Mr. Xie Heng (Note (v))	—	535	234	—	—	769
Independent Non-executive Directors						
Mr. Wang Lixin	150	—	—	—	—	150
Dr. Meng Songdong	150	—	—	—	—	150
Ms. Xv Yanfang (Note (vi))	150	—	—	—	—	150
Mr. Ran Dong (Note (vii))	—	—	—	—	—	—
Non-executive Directors						
Mr. Zhu Pai	—	—	—	—	—	—
Mr. Li Yupeng (Note (viii))	—	—	—	—	—	—
Mr. Tang Jin (Note (ix))	—	246	80	—	4,279	4,605
Supervisors						
Mr. Zhang Shufeng	—	—	—	—	—	—
Mr. Zhou Quan	—	254	34	34	116	438
Mr. Kong Rixiang	—	398	77	128	4,279	4,882
	450	6,230	1,443	331	31,958	40,412

Notes:

(i) Mr. Wang Lixin resigned as an independent non-executive director on September 27, 2024.

(ii) Ms. Qi Jingyao was appointed and resigned as an independent non-executive director on September 27, 2024 and March 26, 2025 respectively.

(iii) Mr. Zhu Pai resigned as a non-executive director on May 23, 2025.

(iv) Mr. Guan Jin was appointed as an executive director on March 2, 2023.

(v) Mr. Xie Heng resigned as an executive director on March 2, 2023.

(vi) Ms. Xv Yangang resigned as an independent non-executive director on December 28, 2023.

(vii) Mr. Ran Dong was appointed and resigned as an independent non-executive director on December 28, 2023 and April 10, 2025 respectively.

(viii) Mr. Li Yupeng resigned as a non-executive director on December 28, 2023.

(ix) Mr. Tang Jin was appointed as a non-executive director on December 28, 2023 and his emoluments disclosed above represented the compensation for his services to provide guidance and advice on the human resources and administrative matters to the board of directors.

10. DIRECTORS', CHIEF EXECUTIVE, SUPERVISORS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors', Chief Executive ("CE") and Supervisors emoluments (Continued)

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

Except for Mr. Tang Jin as shown in the above note (ix), the non-executive directors' emoluments shown above were for their services as directors of the Company and the Group.

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

Discretionary bonuses are determined based on the performance of individual and market trend for the years ended December 31, 2024 and 2023.

No directors waived any emoluments and no incentive paid or payable on joining and compensation for the loss of office for the years ended December 31, 2024 and 2023.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during years ended December 31 2024 and 2023.

Certain directors were granted restricted shares, in respect of their services to the Group under the restricted share unit scheme of the Company. Details of the restricted share unit scheme are set out in note 25.

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2023: three), details of whose remuneration are set out in (a) above. Details of the emoluments of the remaining two (2023: two) highest paid employees in 2024 who are neither a director nor chief executive of the Company are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,966**	935
Discretionary bonuses	**121**	194
Retirement scheme contributions	**108**	83
Equity-settled share-based payments	**3,066**	8,558
	5,261	9,770

10. DIRECTORS', CHIEF EXECUTIVE, SUPERVISORS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	2024 Number of employees	2023 Number of employees
HKD2,000,001 – HKD2,500,000	**1**	—
HKD3,500,001 – HKD4,000,000	**1**	
HKD5,000,001 – HKD5,500,000	**—**	1
HKD5,500,001 – HKD6,000,000	**—**	1

No emoluments were paid or payable by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended December 31, 2024 and 2023.

Highest paid employees were granted restricted shares, in respect of their services to the Group under the restricted share unit scheme of the Company. Details of the restricted share unit scheme are set out in note 25.

11. DIVIDENDS

No dividend was paid or proposed during the years ended December 31, 2024 and 2023, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

12. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the year is based on the loss for the year attributable to equity shareholders of the Company of approximately RMB143,776,000 (2023: RMB189,644,000) and on the weighted average number of shares in issue during the year of approximately 352,478,000 (2023: 350,000,000).

The calculation of the basic loss per share is based on the following:

	2024 RMB'000	2023 RMB'000
Loss		
Loss attributable to equity shareholders of the Company for the purpose of calculating basic loss per share	**(143,776)**	(189,644)

	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**352,478**	350,000

12. LOSS PER SHARE (Continued)

Diluted loss per share

As there were no dilutive potential ordinary shares during the years ended December 31, 2024 and 2023, diluted loss per share for the years ended December 31, 2024 and 2023 are the same as basic loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture, fixtures and others RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2023	72,690	21,880	18,245	1,348	26,987	141,150
Additions	317	—	286	—	27,237	27,840
Transfer from construction in progress	390	76	1,027	—	(1,493)	—
Transfer to construction in progress	(637)	—	—	—	637	—
At December 31, 2023 and January 1, 2024	72,760	21,956	19,558	1,348	53,368	168,990
Additions	98	—	578	—	48,086	48,762
Disposals	—	(1,468)	(852)	—	—	(2,320)
Transfer from construction in progress	2,558	—	1,241	—	(3,799)	—
At December 31, 2024	**75,416**	**20,488**	**20,525**	**1,348**	**97,655**	**215,432**
ACCUMULATED DEPRECIATION						
At January 1, 2023	14,577	11,229	11,210	1,232	—	38,248
Charge for the year	3,506	1,803	2,723	—	—	8,032
Transfer to construction in progress	(166)	—	—	—	166	—
At December 31, 2023 and January 1, 2024	17,917	13,032	13,933	1,232	166	46,280
Charge for the year	3,595	1,801	2,109	—	—	7,505
Disposals	—	(1,320)	(757)	—	—	(2,077)
At December 31, 2024	**21,512**	**13,513**	**15,285**	**1,232**	**166**	**51,708**
NET BOOK VALUES						
At December 31, 2024	**53,904**	**6,975**	**5,240**	**116**	**97,489**	**163,724**
At December 31, 2023	54,843	8,924	5,625	116	53,202	122,710

All buildings were held under operating leases in the PRC.

14. RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2024	2023
	RMB'000	RMB'000
At December 31		
Ownership interests in leasehold land held for own use in the PRC, with remaining lease term of 40 years (2023: 41 years)	**12,208**	12,511
Other properties leased for own use	**1,348**	966
	13,556	13,477

The analysis of expense items in relation to leases recognised in the consolidated financial statements is as follows:

	2024	2023
	RMB'000	RMB'000
Year ended December 31		
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	**303**	303
Other properties leased for own use	**1,121**	1,082
	1,424	1,385
Interest expenses on lease liabilities	**56**	57
Expense relating to short-term leases	**263**	445
Additions to right-of-use assets	**1,503**	—

The Group leases certain buildings for its office and staff quarters. Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(b), 20(c) and 30(b), respectively.

The Group regularly entered into short-term leases for office and staff quarter. At December 31, 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Ownership interests in leasehold land held for own use

Interests in leasehold land held for own use represent payments for land use rights of land located in the PRC where the Group's plants situate. Lump sum payments were made upfront and there are no ongoing payments to be made under the terms of the land lease in the PRC.

15. INTANGIBLE ASSETS

	Intellectual properties RMB'000	Softwares RMB'000	Total RMB'000
COST			
At January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	**3,950**	**490**	**4,440**
ACCUMULATED AMORTISATION			
At January 1, 2023	1,511	97	1,608
Charge for the year	1,142	63	1,205
At December 31, 2023 and January 1, 2024	2,653	160	2,813
Charge for the year	812	63	875
At December 31, 2024	**3,465**	**223**	**3,688**
NET BOOK VALUES:			
At December 31, 2024	**485**	**267**	**752**
At December 31, 2023	1,297	330	1,627

16. FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Non-current		
— Unlisted equity investment (Note (i))	**35,000**	—
Current		
— Wealth management products and structured deposits (Note (ii))	**70,047**	235,611
— Unlisted fund (Note (iii))	**35,942**	—
	105,989	235,611
	140,989	235,611

16. FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

Financial assets mandatorily measured at FVPL include:

(i) On December 20, 2024, the Group acquired 4.7619% of an unlisted corporate entity, which was incorporated in the PRC as a limited liability company and whose quoted market price is not available, Hangzhou Gongchu Biotechnology Co., Ltd* 杭州功楚生物科技有限公司 ("**Hangzhou Gongchu**") at a consideration of RMB35,000,000. Hangzhou Gongchu principally engages in R&D, manufacturing and sale of innovative drugs. Such equity investment was therefore accounted for as FVPL at December 31, 2024.

(ii) Wealth management products and structured deposits issued by various banks in the PRC with a floating return which to be paid together with the principal on the maturity date. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(iii) The Group invested in Fund SP (the "**Segregated Portfolio**"), a segregated portfolio of fund C (the "**Fund**"), amounted to USD5,000,000 (equivalent to approximately RMB35,942,000) with a term of one year during November 2024. The Fund is an exempted limited liability company registered as a segregated portfolio company with the Cayman Islands Monetary Authority. The Segregated Portfolio may hold equity and debt securities, currencies, options, futures, options on futures and other derivative instruments in various capital markets. The Fund may also allocate its assets among private investment vehicles, mutual funds or other accounts managed by portfolio managers who invest in a variety of financial markets. The primary objective of the investments is to achieve capital appreciation by primarily investing into shares of the portfolio investment. Pursuant to the subscription agreement and the private placement memorandum in relation to the Segregated Portfolio, the beneficial interests held by the Group in the Segregate Portfolio of the Fund are in the form of non-voting participating redeemable shares which primarily provide the Group with the share of returns from the unlisted investments but not any decision-making power nor any voting right to involve in and control the daily operation. The Fund is newly established. In the opinion of the directors of the Company, the fair value of the Group's investment in the Fund was USD5,000,000 (equivalent to approximately RMB35,942,000), the Group's historical cost of the Fund, at December 31, 2024.

17. INVENTORIES

	2024	2023
	RMB'000	RMB'000
Raw materials	**4,571**	5,252
Goods in progress	**24,192**	21,511
Finished goods	**2,656**	504
	31,419	27,267

Movements of write-down to net realisable value ("**NRV**") on inventories are as follows:

	2024	2023
	RMB'000	RMB'000
At January 1	**845**	72
Write-down to NRV for the year	**304**	773
Write-off during the year	**(1,141)**	—
At December 31	**8**	845

Write-down to NRV was included in the costs of inventories recognised as expenses because costs of certain inventories were higher than their NRV.

17. INVENTORIES (Continued)

During the reporting period, as certain inventories were scrapped, the Group write-off the inventory provision of RMB1,141,000 (2023: RMBnil).

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 **RMB'000**	2023 RMB'000
Carrying amount of inventories sold	**9,483**	15,046
Write-down of inventories	**304**	773
	9,787	15,819

18. TRADE AND OTHER RECEIVABLES

	2024 **RMB'000**	2023 RMB'000
Trade receivables	**23,754**	11,467
Less: Loss allowance	**(602)**	(308)
	23,152	11,159
Other receivables	**852**	496
Value-added tax recoverable	**4,135**	4,292
	28,139	15,947

Note:

(i) Trade receivables are primarily related to revenue recognised from sales of innovative drugs.

At January 1, 2023, trade receivables from contract with customers amounted to RMB34,620,000 (net of loss allowance of RMB1,592,000).

At December 31, 2024, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months (inclusive)	**17,611**	7,699
Over 3 months and less than one year	**5,541**	3,460
	23,152	11,159

Unless otherwise approved, trade receivables are generally due within 60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 30(a).

19. PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayments for:		
— subscription of unlisted funds (Note (i))	**55,623**	—
— research and development service	**7,626**	12,814
— listing expense	**—**	849
— purchase of raw materials	**2,696**	—
— others	**1,130**	637
	67,075	14,300

Note:

(i) The Company prepaid HK$38,000,000 (equivalent to approximately RMB35,232,000) and HK$22,000,000 (equivalent to approximately RMB20,391,000) for subscription of fund A, which was established in British Virgin Islands, and fund B, which was established in Hong Kong, respectively from November 25, 2024 to November 27, 2024. The Company applied to withdraw the subscription of these two regulated unlisted funds and requested to return the subscription amounts in full on December 20, 2024 since the subscriptions were unsuccessful. All the monies paid for the aforesaid subscriptions were fully returned in February 2025.

20. CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOWS INFORMATION

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at banks	**466,636**	340,405
Less: fixed deposits with banks	**(268,738)**	(302,318)
restricted bank balances	**(8,184)**	—
Cash and cash equivalents in the consolidated statement of financial position	**189,714**	38,087

Bank balances carry interest at floating rates ranging from 0.1% to 0.6% (2023: 0.2% to 1.3%) per annum.

Restricted bank balances

Restricted bank balances represent bank deposits restricted in use by regulators in relation to the construction of the Group's manufacturing facility.

Fixed deposits with banks

At December 31, 2024, fixed deposits with banks held by the Group include a principal amount of US$35,581,000 (equivalent to approximately RMB255,770,000) (2023: US$41,780,000 (equivalent to approximately RMB295,915,000)) intended to be held at maturity exceeding three months from the date of acquisition, and accrued interest receivable based on the effective interest rate method.

Fixed deposits carry fixed interest rates ranging from 1.1% to 5.0% (2023: 1.7% to 5.3%) per annum.

Remittance of funds out of the PRC is subject to relevant rules and regulations of foreign exchange control. Details of impairment assessment of fixed deposits with banks, restricted bank balances and bank balances are set out in note 30(a).

20. CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOWS INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities 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 related parties (non-trade) RMB'000	**Lease liabilities** RMB'000 (Note 23)	**Total** RMB'000
At January 1, 2023	70	1,904	1,974
Changes from financing cash flows:			
Repayment of net advances to a related party	(68)	—	(68)
Capital element of lease rentals paid	—	(1,005)	(1,005)
Interest element of lease rentals paid	—	(57)	(57)
Total changes from financing cash flows	(68)	(1,062)	(1,130)
Exchange adjustments	(2)	—	(2)
Other changes:			
Interest expenses (Note 8(a))	—	57	57
Total other changes	—	57	57
At December 31, 2023 and January 1, 2024	—	899	899
Changes from financing cash flows:			
Advances from related parties	858	—	858
Capital element of lease rentals paid	—	(1,220)	(1,220)
Interest element of lease rentals paid	—	(56)	(56)
Total changes from financing cash flows	858	(1,276)	(418)
Exchange adjustments	5	—	5
Other changes:			
Increase in lease liabilities from entering into new leases during the year (Note 20(d))		1,503	1,503
Interest expenses (Note 8(a))	—	56	56
Total other changes	—	1,559	1,559
At December 31, 2024	**863**	**1,182**	**2,045**

20. CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOWS INFORMATION (Continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**263**	445
Within financing cash flows	**1,276**	1,062
	1,539	1,507

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	**1,539**	1,507

(d) Major non-cash transaction

During the year ended December 31, 2024, the Group had non-cash addition to right-of-use assets and lease liabilities of RMB1,503,000 (2023: RMBnil).

21. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Current		
Trade payables (Note (i))	**48,331**	24,440
Other payables (Note (ii))	**16,205**	7,802
Accrued payroll and staff benefits	**8,380**	10,745
	72,916	42,987
Non-current		
Deposits received	**—**	4,453
	72,916	47,440

Except for an amount of RMBnil (2023: RMB4,453,000) at December 31, 2024, all trade and other payables are expected to be settled within one year.

21. TRADE AND OTHER PAYABLES (Continued)

At December 31, 2024, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**46,223**	23,736
1 to 2 years	**1,707**	346
2 to 3 years	**33**	357
More than 3 years	**368**	1
	48,331	24,440

Notes:

(i) Trade payables are primarily related to the construction of the phase II manufacturing facility and R&D expenses payable to suppliers. The credit period generally granted by third party suppliers to the Group ranges from 15 days to 30 days during the years ended December 31, 2024 and 2023.

(ii) Other payables mainly include (i) accruals for operating expenses of RMB3,990,000 (2023: RMB2,744,000); (ii) refundable deposits of RMB8,003,000 (2023: RMB3,602,000); and (iii) other taxes payable of RMB3,212,000 (2023: RMB456,000).

22. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Advance from the customers for exclusive promotion rights	**47,170**	—
Analysed as:		
Non-current	**42,453**	—
Current	**4,717**	—
	47,170	—

On November 4, 2024, the Group newly entered into an exclusive promotion service agreement with an independent third party pursuant to which the Group is entitled to receive an upfront payment and additional milestone payments, while the counterparty receives the exclusive rights to commercialise the Group's pharmaceutical products in the PRC and receives tiered service fee based on the net sales. On November 6, 2024, the Group received a non-refundable upfront payment amounting to RMB50,000,000 in accordance with the terms of agreement. The amount was recognised in contract liabilities amounted to RMB47,170,000, excluded value-added tax and will be amortised over the agreed exclusive promotion rights period.

23. LEASE LIABILITIES

At December 31, 2024, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**665**	732
After 1 year but within 2 years	**517**	167
	1,182	899

The weighted average incremental borrowing rate applied to lease liabilities is 4.0% (2023: 3.7%) during the year ended December 31, 2024.

24. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants	**366**	820

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Restricted Share Unit ("RSU") Scheme

On October 30, 2020, an employee share incentive scheme was approved by the board of directors, according to which 28,285,670 shares of RSUs in sum would be granted by the Company to eligible employees of the Group and Dr. Tang Li was authorised to implement the detailed share incentive scheme including but not limited to determine batches and vesting conditions, number of RSUs and prices granted to each employee, make adjustments to the share incentive scheme, etc.

Dr. Tang Li or other designated employees repurchased 378,740 shares and 310,460 shares for the years ended December 31, 2024 and 2023 respectively of the above-mentioned RSUs granted by the Company from previous employees who resigned from the Group at the pre-determined price lower than fair value, which constituted new share-based payments.

Dr. Tang Li did not grant any shares of RSUs from her own shares to eligible employees of the Group for the year ended December 31, 2024. Dr. Tang Li granted 383,530 shares of RSUs for the year ended December 31, 2023 from her own shares to eligible employees of the Group, including nil shares of RSUs to an employee resigned from the Group shortly.

For details of the principal terms of the employee share incentive scheme, please refer to the paragraph headed "Employee Stock Platform" to the report of directors.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Restricted Share Unit ("RSU") Scheme (Continued)

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Vesting period	Subscription prices
RSUs granted to directors:				
2020 batch 1	2,549,500	Note (i)	36 months	RMB0.2–5
2020 batch 2	865,100	Note (i)	60 months	RMB0.47
2021 batch 1	924,000	Note (i)	36 months	RMB0.2–4.47
2022 batch 1	4,126,960	Nil	12 months	RMB0–5
2022 batch 2	1,610,000	Note (i)	36/51 months	RMB0–5
2022 batch 3	250,000	Note (i)	60 months	RMB5
2023 batch 1	260,460	Nil	12 months	RMB0.17–4.5
2023 batch 2	150,000	Note (i)	36 months	RMB5
2024 batch 1	378,740	Nil	12 months	RMB0–4.5
RSUs granted to employees:				
2020 batch 1	4,516,000	Note (i)	36 months	RMB0.2–5
2021 batch 1	3,829,000	Note (i)	36 months	RMB0.2–4.47
2022 batch 2	3,925,820	Note (i)	36 months	RMB0–5
2022 batch 3	150,000	Note (i)	60 months	RMB5
2023 batch 2	283,530	Note (i)	36 months	RMB4.48–6

Note:

(i) The restricted shares are vested upon achievement of certain performance conditions, such as service period, performance target and the completion of the listing of the Company's shares.

(b) The number and subscription prices of outstanding RSUs are as follows:

	Number of RSUs	
	2024	2023
At January 1	**5,327,670**	14,903,600
Granted during the year	**378,740**	693,990
Vested during the year	**(760,460)**	(8,409,460)
Forfeited during the year	**(1,152,020)**	(1,860,460)
At December 31	**3,793,930**	5,327,670
Subscription price per RSU at December 31	**RMB0–6**	RMB0–6

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Restricted Share Unit ("RSU") Scheme (Continued)

(c) Fair value and assumptions

The fair value of services to be received in return for RSUs granted is measured by reference to the fair value of RSUs granted and the subscription price paid by the eligible directors and employees. The estimates of the fair value of RSUs are measured at the grant date referring to market price offered by the independent investors or fair value assessed by independent appraisers. The Group has used discounted cash flow method to determine underlying equity value of the Group, is estimated to determine the fair value of RSUs. The fair value of RSUs at grant date and key assumptions used in determining the fair value of RSUs are as follows:

Fair value of RSUs and assumptions	2022 share incentive batch	2023 share incentive batch	2024 share incentive batch
Fair value per unit at grant date	RMB14.72	RMB16.18	RMB16.18
Discount rate	12%	13%	13%
Expected dividends	Nil	Nil	Nil

(d) Equity-settled share-based payment expenses recognised in the consolidated financial statements during the year:

	2024 RMB'000	2023 RMB'000
Research and development expenses	**3,028**	11,848
Selling and distribution expenses	**1,072**	15,773
Administrative expenses	**4,412**	13,678
Cost of sales	**101**	1,918
Inventories	**447**	1,187
	9,060	44,404

26. PROVISION

	2024 RMB'000	2023 RMB'000
At January 1	**—**	10,838
Additional provision for the year	**—**	4,987
Provision utilised	**—**	(15,825)
At December 31	**—**	—

The Group's product was included in the National Reimbursement Drug List (the "**NRDL**") in January 2023 and a lower medical insurance price was implemented since March 1, 2023. The Group recognised a provision for price reduction compensation to customers due to the official inclusion in the NRDL for products sold to these customers but not yet sold to patients before March 1, 2023.

27. SHARE CAPITAL AND CAPITAL MANAGEMENT

(a) Share capital

	2024		2023	
	No. of shares	**Amount RMB'000**	No. of shares	Amount RMB'000
Registered and paid-in capital:				
At January 1	**350,000,000**	**350,000**	350,000,000	350,000
Issue of shares upon the listing (Note (i))	**14,588,000**	**14,588**	—	—
At December 31	**364,588,000**	**364,588**	350,000,000	350,000

Note:

(i) On October 31, 2024, the Company's ordinary H shares were listed on the Stock Exchange, where 14,588,000 ordinary H shares were issued and subscribed at an offer price of HK$16 per H share by way of initial public offering to Hong Kong and overseas investors (the Offering).

The gross proceeds raised from the Offering was HK$233,408,000 (equivalent to approximately RMB213,964,000). Net proceeds from the Offering were RMB201,937,000 (after offsetting costs directly attributable to the issue of shares of RMB12,027,000), of which RMB14,588,000 was recognised in share capital and the remaining RMB187,349,000 was recognised in capital reserves.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2024 and 2023.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Property, plant and equipment	**267**	832
Right-of-use assets	**1,348**	966
Intangible assets	**524**	1,343
Investments in subsidiaries	**961,593**	957,652
Financial assets mandatorily measured at fair value through profit or loss	**35,000**	—
Rental and utilities deposits	**641**	729
	999,373	961,522
Current assets		
Other receivables	**3,708**	2,017
Prepayments	**57,883**	8,102
Financial assets mandatorily measured at fair value through profit or loss	**—**	50,099
Restricted cash balances	**7,700**	—
Fixed deposits with banks	**198,154**	238,575
Cash and cash equivalents	**178,648**	28,640
	446,093	327,433
Current liabilities		
Trade and other payables	**15,798**	15,579
Lease liabilities	**665**	732
	16,463	16,311
Net current assets	**429,630**	311,122
Total assets less current liabilities	**1,429,003**	1,272,644
Non-current liabilities		
Lease liabilities	**517**	167
	517	167
Net assets	**1,428,486**	1,272,477
Capital and reserves		
Share capital	**364,588**	350,000
Reserves	**1,063,898**	922,477
Total equity	**1,428,486**	1,272,477

29. RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity on page 104. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Capital reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2023	1,057,449	(135,697)	921,752
Changes in equity for 2023:			
Loss for the year	—	(43,679)	(43,679)
Equity-settled share-based payment	44,404	—	44,404
At December 31, 2023 and January 1, 2024	1,101,853	(179,376)	922,477
Changes in equity for 2024:			
Loss for the year	—	(54,988)	(54,988)
Equity-settled share-based payment	9,060	—	9,060
Issuance of H shares	199,376	—	199,376
Transaction costs attributable to issue of shares upon listing	(12,027)	—	(12,027)
At December 31, 2024	**1,298,262**	**(234,364)**	**1,063,898**

(b) Nature and purpose of reserves

The Group

(i) Capital reserves

The capital reserves comprise the following:

- the difference between the consideration received and the par value of the issued shares of the Company;
- the consideration received for RSUs granted by the Company;
- the portion of the grant date fair value of RSUs granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 4(n)(ii); and
- the reorganisation of the Group for the purpose of the Company's Listing on the Stock Exchange.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 4(q).

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks in the normal course of the Group's business include: credit risk, liquidity risk, interest rate risk, currency risk and other price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at banks, fixed deposits with banks, restricted bank balances, rental and utilities deposits, and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. However, the management of the Group will consider collateral or other credit enhancements should the need arise.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Unless special approval granted, trade receivables are generally due within 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's significant concentration of credit risk by geographical location is the PRC, which accounted for 100% (2023: 100%) of trade receivables at December 31, 2024. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2024, 17.7% (2023: 13.2%) and 43.9% (2023: 39.6%) of the trade receivables are due from the Group's largest and five largest customers from sales of innovative drugs, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix, on a collective basis, grouped by past due status. The provision rates are based on aging of debtors and internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The Group's cash at banks, fixed deposits with banks and restricted bank balances are mainly held with well-known financial institutions. Management does not foresee any significant credit risks arising from these deposits and does not expect that these financial institutions will default and cause losses to the Group.

For other receivables, prepayment for subscription of unlisted funds, refundable rental and utilities deposits, the Group has applied 12m ECL assessment in accordance with HKFRS 9 to measure the loss allowance except for those balances that the management considered the credit risk has increased significantly and/or those balances that are considered to be credit impaired. The ECL on other receivables are assessed individually based on historical settlement records, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of reporting period. The Group's exposure to credit risk arising from these receivables and deposits is considered to be low, taking into account the debtors' and landlords' credit rating, the remaining lease term and the period covered by the rental deposits.

The Group does not provide any guarantees which would expose the Group to credit risk.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default of counterparties	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and other items, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2024 RMB'000	2023 RMB'000
Financial assets at amortised cost						
— Trade receivables	18	N/A	Low risk	Lifetime ECL — not credit-impaired	**23,754**	11,467
— Other receivables	18	N/A	Low risk	12m ECL	**852**	496
— Prepayment for subscription of unlisted funds	19	N/A	Low risk	12m ECL	**55,623**	—
— Refundable deposits	N/A	N/A	Low risk	12m ECL	**953**	1,000
— Restricted bank balances	20(a)	A to A–	Low risk	12m ECL	**8,184**	—
— Fixed deposits with banks	20(a)	A to BB+	Low risk	12m ECL	**268,738**	302,318
— Cash and cash equivalents	20(a)	A to BB+	Low risk	12m ECL	**189,714**	38,087

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Impairment of trade receivables

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at December 31, 2024 and 2023:

At December 31, 2024	**Expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**2**	**16,754**	**252**
Within three months past due	**5**	**7,000**	**350**
		23,754	**602**

At December 31, 2023	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2	7,588	114
Within three months past due	5	3,879	194
		11,467	308

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The movement in the loss allowance (lifetime ECL — not credit-impaired) in respect of trade receivables during the year is as follows:

	2024 RMB'000	2023 RMB'000
At January 1	**308**	1,592
Impairment losses recognised	**602**	308
Impairment losses reversed	**(308)**	(1,592)
At December 31	**602**	308

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
At December 31, 2024					
Lease liabilities	**693**	**525**	**—**	**1,218**	**1,182**
Amounts due to related parties	**863**	**—**	**—**	**863**	**863**
Trade and other payables	**69,704**	**—**	**—**	**69,704**	**69,704**
	71,260	**525**	**—**	**71,785**	**71,749**

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At December 31, 2023					
Lease liabilities	916	167	—	1,083	899
Amounts due to related parties	24	—	—	24	24
Trade and other payables	42,531	—	4,453	46,984	46,984
	43,471	167	4,453	48,091	47,907

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is primarily exposed to fair value interest rate risk in relation to fixed deposits with banks, and cash flow risk in relation to variable-rate bank balances and financial assets mandatorily measured at FVPL. No sensitivity analysis is presented since the directors consider the exposure of fair value interest rate risk arising from fixed deposits with banks will not be significant in the near future. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure to fair value interest rate risk and cash flow risk is not significant because the current market interest rates are relatively low and stable.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits and inter-company receivables that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily US dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

	2024 US dollars RMB'000	2023 US dollars RMB'000
The Group:		
Fixed deposits with banks	**194,087**	233,729
Cash and cash equivalents	**162,361**	10,018
Inter-company balance:		
Amount due from a subsidiary of the Group	**35,942**	35,414
	392,390	279,161

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss before taxation and accumulated losses that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. A positive number below indicates an increase in loss before tax for the year and accumulated losses where US dollars strengthening 10% (2023: 10%) against the relevant currency. For a 10% (2023: 10%) weakens of US dollars against the relevant currency, there would be an equal and opposite impact on the loss before tax for the year and accumulated losses and the amounts below would be negative.

	2024		2023	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss before tax and accumulated losses RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss before tax and accumulated losses RMB'000
US dollars	**10%**	**39,239**	10%	27,916
	(10%)	**(39,239)**	(10%)	(27,916)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the year.

(e) Other price risk

The Group is exposed to price risk through its unquoted investments mandatorily measured at FVPL. The Group's equity price risk is mainly concentrated on unlisted equity investment of an entity operating in pharmaceutical industry and an unlisted fund. In addition, the Group has monitored the price risk and will consider hedging the risk exposure should the need arise.

Other than sensitivity analysis of the unlisted equity investment as disclosed in note 30(f), sensitivity on other investments is not provided as the amount is considered insignificant.

(f) Fair value measurement

(i) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy

The following table presents the Group's financial assets that are measured at fair value at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Recurring fair value measurements:		
Level 2		
Financial assets mandatorily measured at FVPL		
— Wealth management products and structured deposits issued by banks	**70,047**	235,611
Level 3		
Financial assets mandatorily measured at FVPL		
— Unlisted equity investment	**35,000**	—
— Unlisted fund	**35,942**	—
	140,989	235,611

Information about Level 2 fair value measurements

For bank wealth management products held at the end of each reporting period, the Group measures them at the second level fair value. Among them, the fair value of wealth management products is determined with reference to the quotation published by the issuing bank; the fair value of structured deposits is determined by the expected return rate listed in the bank's announcement or the product prospectus.

The movements during the years ended December 31, 2024 and 2023 in the balance of these Level 2 financial assets of the Group at fair value through profit or loss are as follows:

	2024 RMB'000	2023 RMB'000
At January 1	**235,611**	444,991
Payment for purchases	**491,526**	535,000
Changes in fair value recognised in profit or loss during the year	**48**	5,821
Redemption	**(657,138)**	(750,201)
At December 31	**70,047**	235,611

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Information about Level 3 fair value measurements

Financial assets	Fair value at 2024 RMB'000	Fair value at 2023 RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment	**35,000**	—	Income approach with using discounted cash flow	Discount rate: 13.16%	The higher the discount rate, the lower the value
Unlisted fund	**35,932**	—	Historical cost approach	n/a	n/a (note iii)

Notes:

(i) If the discount rate was 5% higher or lower while all the other variables were held constant, the change in fair value of the unlisted equity investment would decrease or increase by RMB530,000 and RMB472,000 respectively for the year ended December 31, 2024.

(ii) If the cost was 5% higher or lower while all the other variables were held constant, the change in fair value of the unlisted fund would increase or decrease by RMB250,000 respectively for the year ended December 31, 2024.

(iii) No such information is available as the opinion of the directors of the Company, the fair value of the Group's investment in the unlisted fund was USD5,000,000 (equivalent to approximately RMB35,942,000), the Group's historical cost of the unlisted fund. For details of the unlisted fund, please refer to note 16(iii) to the consolidated financial statements.

During the years ended December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at December 31, 2024 and 2023 in which they occur.

Reconciliation of Level 3 fair value measurements

	Unlisted fund 2024 RMB'000	Unlisted fund 2023 RMB'000	Unlisted equity investment 2024 RMB'000	Unlisted equity investment 2023 RMB'000
At January 1	**—**	—	**—**	—
Payment for purchases	**35,583**	—	**35,000**	—
Exchange difference	**359**	—	**—**	—
At December 31	**35,942**	—	**35,000**	—

(ii) Fair values

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost as reflected in the consolidated statement of financial position approximate their respective fair values.

31. CAPITAL COMMITMENT

Commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	2024	2023
	RMB'000	RMB'000
Contracted for construction in progress	**3,780**	25,898
Authorised but not contracted for construction in progress	**61,480**	82,504
	65,260	108,402

32. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of each reporting period.

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, other material related party transactions entered by the Group during the year ended December 31, 2024 are as follows:

(a) Identity of related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of related party	**Relationship with the Group**
Dr. Tang Li (唐莉)	ultimate controlling shareholder and executive director
Dr. Qiu Rongguo (邱榮國)	ultimate controlling shareholder and executive director
Zhang Cheng (張成)	executive director
珠海華欣昊緣商業管理合夥企業(有限合夥) ("**Huaxin Haoyuan**")	company controlled by ultimate controlling shareholder
北京北進緣科技有限公司 ("**Beijing Beijinyuan**")	company controlled by ultimate controlling shareholder

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 10, is as follows:

	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**9,330**	10,220
Retirement scheme contributions	**319**	542
Share-based payment	**9,193**	39,535
	18,842	50,297

Total remuneration is included in "employee benefits expenses" (see note 8(b)).

(c) Significant related party transactions

	2024	2023
	RMB'000	RMB'000
Trade related:		
— Purchasing materials from		
Beijing Beijinyuan	**—**	19
Non-trade related:		
— Advances from/(repayment to)		
Dr. Tang Li	**144**	(68)
Dr. Qiu Rongguo	**719**	—
	863	(68)

33. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Balances with related parties

	2024 RMB'000	2023 RMB'000
Prepayments for purchase of raw materials:		
— Trade related:		
Beijing Beijinyuan	**2,696**	—
Amounts due to:		
— Trade related:		
Beijing Beijinyuan	**—**	19
— Non-trade related		
Dr. Tang Li	**144**	3
Zhang Cheng	**—**	1
Dr. Qiu Rongguo	**719**	1
	863	5

The balances of non-trade related amounts due from/to related parties are unsecured, interest-free, repayable on demand.

34. RETIREMENT BENEFITS SCHEME

As stipulated under the relevant rules and regulations in the PRC, the employees of the Company and its subsidiary established in the PRC are members of central pension scheme operated by the local municipal government. They are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of them. The only obligation of them with respect to the central pension scheme is to meet the required contributions under the scheme.

During the years ended December 31, 2024 and 2023, the Group had no forfeited contributions which may be used by the Group to reduce the existing level of contributions or the contributions payable in future years.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

At December 31, 2024, the Company has direct interests in its subsidiaries, all of which are private limited liability companies and the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment/ operation	Particulars of issued and paid-in capital	Proportion of ownership interest directly held by the Company	Principal activities
Chengdu Biostar Pharmaceuticals Co., Ltd. 成都華昊中天藥業有限公司 (Notes (i) and (ii))	the PRC/ January 26, 2015	RMB200,000,000/ RMB200,000,000	100%	Pharmaceutical production, research and development, and sales and marketing of pharmaceutical products
Biostar Pharma, Inc.	the United States of America (the "**USA**")/ April 27, 2022	USD4,000,000/ USD4,000,000	100%	Pharmaceutical research and development
SynBio Pharma (Hong Kong) Limited 香港合生製藥有限公司	the Hong Kong/ November 10, 2024	HKD10,000,000/ HKDnil	100%	Pharmaceutical sales *(business not yet commenced)*

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(i) The entity is a limited liability company under the law of the PRC. The official name of the entity is in Chinese. The English translation of the name is for reference only.

(ii) All companies comprising the Group have adopted December 31 as their financial year end date.

36. EVENTS AFTER THE REPORTING PERIOD

Apart from the events as disclosed elsewhere in the consolidated financial statements, the Group did not have other material events after the reporting period and up to the date of this report.

Three-year Financial Summary

	For the year ended December 31,		
	2022	2023	**2024**
	RMB'000	RMB'000	**RMB'000**
Operating results			
Revenue	32,820	66,635	**71,866**
Other income and net gains	51,376	31,694	**26,736**
Research and development expenses	(82,739)	(126,537)	**(116,292)**
Selling and distribution expenses	(97,910)	(95,397)	**(61,926)**
Administrative expenses	(51,501)	(43,900)	**(52,339)**
Loss for the Year	(160,511)	(189,644)	**(143,776)**

	As at December 31,		
	2022	2023	**2024**
	RMB'000	RMB'000	**RMB'000**
Financial position			
Non-current assets	121,668	138,814	**213,985**
Current assets	804,670	633,530	**699,258**
Non-current liabilities	6,688	5,440	**43,336**
Current liabilities	51,725	43,743	**79,161**
Net assets	867,925	723,161	**790,746**

Definitions

In this annual report, unless the context requires otherwise, the following expressions shall have the following meanings.

"Accountants' Report"	the accountants' report set out in Appendix I to the prospectus
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"AFRCO"	the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"AGM"	the annual general meeting of the Company to be held at 1202B, 12/F, Building 3, No. 22 Ronghua Middle Road, Beijing Economic-Technological Development Area, Beijing, PRC on Monday, August 25, 2025 at 3:00 p.m.
"ASCO"	American Society of Clinical Oncology
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Beijing Baygen"	Beijing Baygen Technologies Ltd.* (北京北進緣科技有限公司), a foreign-invested limited liability company incorporated under the laws of the PRC on September 29, 2011, a member of our Single Largest Group of Shareholders
"Board" or "Board of Directors"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CDE"	Center for Drug Evaluation of the National Medical Products Administration
"Chengdu Biostar"	Chengdu Biostar Pharmaceuticals Co., Ltd.* (成都華昊中天藥業有限公司), a limited liability company established in the PRC on January 26, 2015, and a wholly-owned subsidiary of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"CNIPA"	China National Intellectual Property Administration (國家知識產權局)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Beijing Biostar Pharmaceuticals Co., Ltd.

"Company", "our Company" or "the Company"	Beijing Biostar Pharmaceuticals Co., Ltd. (北京華昊中天生物醫藥股份有限公司), a joint stock company established in the PRC on May 8, 2021, or, where the context requires (as the case may be), its predecessor, Beijing Biostar Biotechnology Co., Ltd.* (北京華昊中天生物技術有限公司), a limited liability company established in the PRC on July 11, 2002
"Compliance Adviser"	Maxa Capital Limited
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules, and for the purpose of the prospectus, our core product refers to Utidelone Injection, with Utidelone being its active ingredient
"Corporate Governance Code"	the "Corporate Governance Code" set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
"CRO"	contract research organization
"CSDC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSO(s)"	contract sales organization(s) of the Company
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-Competition"	the deed of non-competition (不競爭契據) dated October 21, 2024 entered into by Dr. Tang Li and Dr. Qiu Rongguo in favor of our Company (for our Company and as trustee for each of our subsidiaries)
"Director(s)" or "our Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"EIT"	enterprise income tax
"Extreme Conditions"	extreme conditions as announced by the Government of Hong Kong
"FDA"	the Food and Drug Administration of the United States

"General Rules of HKSCC"	the terms and conditions regulating the use of CCASS as may be amended or modified from time to time and where the context so permits, shall include the CCASS operational procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GMP"	good manufacturing practice
"Group", "our", "our Group", "we" or "us"	the Company and all of its subsidiaries, or any one of them as the context may require
"H Share(s)"	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in on the Stock Exchange
"HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC Operation Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Independent Third Party"	a person or entity who is not a connected person of the Company under the Listing Rules
"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
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDA"	new drug application
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)
"Nomination Committee"	the nomination committee of our Board
"non-small cell lung cancer"	non-small cell lung cancers, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung carcinoma
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NRDL"	the National Reimbursement Drug List of China
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PCT"	the Patent Cooperation Treaty
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, which was last amended on December 29, 2023 and became effective on July 1, 2024, as amended, supplemented or otherwise modified from time to time
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC IP Consultant"	Lung Tin Law Firm
"PRC Legal Advisor"	Beijing DeHeng Law Offices, our legal advisor as to PRC law
"prospectus"	the prospectus of the Company dated October 23, 2024
"Province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Reporting Period"	the financial year ended December 31, 2024
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"SAT"	the State Administration of Taxation of the PRC (中國國家税務總局)
"Securities and Futures Ordinance" or "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 the Company with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	"Supervisor(s)"
"Supervisory Committee"	the supervisory committee of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Foreign Shares"	ordinary share(s) issued by the Company with a nominal value of RMB1.0 each which is/are held by foreign investors and not listed on any stock exchange
"Unlisted Shares"	Domestic Shares and Unlisted Foreign Shares
"Zhuhai Huajin"	Zhuhai Huajin Haoyuan Enterprise Management Partnership (Limited Partnership)* (珠海華錦昊緣企業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 13, 2020, one of our employee incentive platforms and a member of our Single Largest Group of Shareholders
"Zhuhai Huarong"	Zhuhai Huarong Haoyuan Enterprise Management Partnership (Limited Partnership)* (珠海華蓉昊緣企業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on March 9, 2022, one of our employee incentive platforms and a member of our Single Largest Group of Shareholders
"Zhuhai Huaxin"	Zhuhai Huaxin Haoyuan Business Management Partnership (Limited Partnership)* (珠海華欣昊緣商業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on January 5, 2021, one of our employee incentive platforms and a member of our Single Largest Group of Shareholders

"Zhuhai Jingrong"	Zhuhai Jingrong Haoyuan Investment Partnership (Limited Partnership)* (珠海京蓉昊緣投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 27, 2020, a member of our Single Largest Group of Shareholders
"%"	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this annual report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Certain amounts and percentage figures included in this annual report have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

Glossary of Technical Terms

This glossary contains definitions of certain technical terms used in this annual report in connection with us and our business. These may not correspond to standard industry definitions and may not be comparable to similar terms adopted by other companies.

"AC"	anthracycline and cyclophosphamide. Anthracycline is a class of chemotherapy drugs derived from streptomyces peucetius var. caesius. Cyclophosphamide is also a type of chemotherapy drug
"advanced breast cancer"	locally advanced and relapsed or metastatic breast cancers, encompassing stage IIIB and IIIC breast cancers that are initially inoperable without distant metastasis, as well as all stage IV breast cancers
"advanced esophageal cancer"	all stage IV esophageal cancers
"advanced gastric cancer"	all pathological stage IV gastric cancers, namely, metastatic gastric cancers
"advanced liver cancer"	all stage III and all stage IV liver cancers
"advanced non-small cell lungcancer"	stage IIIB, stage IIIC, and all stage IV non-small cell lung cancers, which normally cannot be cured through local therapies
"advanced ovarian cancer"	stage IIIB and IIIC and all stage IV ovarian cancers
"AKT"	a serine/threonine protein kinase with 3 isoforms (AKT1, AKT2 and AKT3) that participate in multiple pathways regulating several cellular processes, including survival, proliferation, tissue invasion, and metabolism
"Annals of Oncology"	an official Journal of the European Society for Medical Oncology and the official journal of the Japanese Society of Medical Oncology
"API"	active pharmaceutical ingredient, the substance in a pharmaceutical drug that is biologically active
"ASCO"	American Society of Clinical Oncology
"AUC"	area under curve, a parameter of systemic exposure
"BA"	bioavailability, the extent and rate at which the active moiety (drug or metabolite) enterssystemic circulation, thereby accessing the site of action
"Bcl-2"	B-cell lymphoma 2, the founding member of the Bcl-2 family of regulator proteins that regulate cell death (apoptosis), by either inhibiting (anti-apoptotic) or inducing (pro-apoptotic) apoptosis
"BLA"	biologics license application
"capsule"	a solid dosage form created by encapsulating drugs in hollow hard capsules or sealing them in elastic soft capsules
"CD"	chemically-defined

"cGMP"	current good manufacturing practice, containing minimum requirements for the methods, facilities, and controls used in manufacturing, processing, and packing of a drug product. The regulations make sure that a product is safe for use, and that it has the ingredients and strength it claims to have
"chemical drug"	the active pharmaceutical ingredient and formulation that have a low molecular weight
"chemotherapeutic drug"	a drug for treating tumors that can target cancer cells throughout the patient's body, inhibiting or killing tumor cells at various stages of growth and reproduction
"CI"	Confidential Interval
"Class 1"	innovative drugs that have not been previously marketed in China or overseas, which refer to drugs that contain new compounds with clear structures and produce desired and expected pharmacological effects, and have clinical values
"Class 2"	modified new drugs that have not been marketed in China or overseas, which refer to drugs that have their structure, dosage form, formulation and process, route of administration and indications optimized on the basis of known active ingredients and have significant clinical advantages
"clinical trial"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"Cmax"	maximum plasma concentration, a pharmacokinetic parameter that measures the highest concentration of a drug in the blood, cerebrospinal fluid, or target organ after a dose is given
"CMC"	chemistry, manufacture and control, also commonly referred to as process development, which covers the various procedures used to assess the physical and chemical characteristics of drug products, and to ensure their quality and consistency during manufacturing
"CNS"	central nervous system
"COVID-19"	Coronavirus Disease 2019
"CR"	complete response, the disappearance of all signs of cancer in response to treatment
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CSCO"	The Chinese Society of Clinical Oncology
"CTCAE"	Common Terminology Criteria for Adverse Events, a set of criteria for the standardized classification of adverse effects of drugs used in cancer therapy
"CTN"	Clinical Trial Notification

Glossary of Technical Terms (Continued)

"CBR/DCR"	Clinical Benefit Rate/Disease Control Rate, the percentage of patients whose disease shrinks or remains stable over a certain time period
"DLT"	dose-limiting toxicity, side effects of a drug or other treatment that are serious enough to prevent an increase in dose of that treatment in clinical trial
"dosage form" or "formulations"	the physical form of a dose used as a drug or medication intended for administration or consumption
"Drug Approval Number"	the approval number listed in the legal document issued by the State Drug Administration to authorize a drug manufacturer to be able to produce a certain variety of drugs
"EMA"	European Medicines Agency
"epothilone"	a class of macrocyclic lactone compounds first reported by G. Höfle and colleagues at the German National Biotechnology Center in 1993. The mechanism of action is akin to taxane drugs like paclitaxel, as they can bind to microtubule proteins, preventing smooth mitosis in cancer cells and inducing apoptosis in these cells
"ERK1/2"	extracellular signal-regulated protein kinase 1/2
"FAS"	Full Analysis Set
"first-line" or "1L"	with respect to any disease, the first line treatment, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment. It is also called primary treatment or therapy
"FPI"	first patient in
"GC"	gastric cancer
"GCP"	good clinical practice
"generic drug"	a medication created to be the same as an already marketed brand-name drug in dosage form, safety, strength, route of administration, quality, performance characteristics, and intended use
"GLP"	good laboratory practice
"GMP"	good manufacturing practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products
"GSP"	good supply practice
"HER2-negative"	the IHC (Immunohistochemistry) test results for HER2 biomarker in tumor tissue samples show a result of IHC (-) or 1+
"HR"	hazard ratio, the ratio of the hazard rates corresponding to the conditions characterised by two distinct levels of a treatment variable of interest

"IC50"	concentration at half maximal inhibition, a measure of the potency of a substance in inhibiting a specific biological or biochemical function
"IND"	investigational new drug application
"injection"	sterile preparations for injection into the body, consisting of a solution, emulsion, or suspension of drugs in suitable solvents or dispersing media, and either ready for immediate use or in the form of powders or concentrated solutions to be reconstituted or diluted before administration
"innovative drug"	a medicine that contains an active substance or combination of active substances that has not been marketed in China and overseas
"in vivo"	Latin for "within the living", studies in vivo are those in which the effects of various biological or chemical substances are tested on whole, living organisms including animals, humans and plants, as opposed to a partial or dead organism, or those done in vitro
"in vitro"	Latin for "within the glass", studies using components of an organism that has been isolated from their usual biological surroundings
KOL	key opinion leaders, influencers and trusted persons who have expert product knowledge and influence in a respective field and are an important part of burgeoning industries and businesses in China, including biotech/pharmaceutical industries
"LD50"	the amount of an ingested substance that kills 50 percent of a test sample
"MAH"	the drug R&D institutions and scientific research personnel may file drug clinical trial applications and drug marketing applications as drug registration applicants (hereinafter referred to as "**applicants**"), and the applicants that obtain drug marketing licenses and drug approval numbers are eligible as the holders of drug marketing licenses (hereinafter referred to as "**holders**")
"MDR"	Multidrug Resistance
"medicine"	a drug used to diagnose, cure, treat, or prevent disease
"microbial small molecule"	a molecule from microorganisms with a low molecular weight (≤ 1000 daltons)
"microtubule inhibitors"	a class of compounds that inhibit the function of cellular microtubules
"MRCT"	multi-regional clinical trial
"MTD"	maximum tolerated dose, the highest dose of a drug or treatment that does not cause unacceptable side effects
"myelosuppression"	a decrease in bone marrow activity, manifesting as neutropenia, leukopenia, and eosinopenia

"neoadjuvant"	a medical term typically used to describe the treatment given to patients before primary therapy. In the field of cancer treatment, neoadjuvant therapy/neoadjuvant treatment means a therapy administered before a main treatment to reduce the size of tumor to enhance the ease of tumor removal
"NACT"	neoadjuvant chemotherapy, a systemic therapy used before curative surgical treatment
"NCCN"	the National Comprehensive Cancer Network
"NDA"	new drug application
"NSCLC"	non-small cell lung cancer
"OC"	ovarian cancer
"ODD"	orphan drug designation
"original drugs"	drugs that have been firstly approved to be marketed in China and overseas
"ORR"	overall response rate, the proportion of patients who have a partial or complete response to therapy
"OS"	overall survival, defined as the time from treatment to death, regardless of disease recurrence
"OTC"	over-the-counter, a kind of drug that may be sold over the counter upon receiving the competent authority's approval at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
"PD"	progressive disease, refers to a at least 20% increase in the size of a tumor or in the extent of cancer in the body in response to treatment, according to RECIST
"PD-1"	programmed death-1, an immune checkpoint receptor expressed on T cells, B cells and macrophages, acting to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body
"PFS"	progression-free survival, which is defined as the time from assignment in a clinical trial to disease progression or death from any cause
"P-glycoprotein"	the most well-known of the ABC transporters in which it plays a critical role in drug resistance in the treatment of cancers
"Pharmaceutical Product License"	a legal license issued by the State Drug Administration to authorize a drug manufacturer to produce a certain variety of drugs
"phase I clinical trial(s)"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness

"phase II clinical trial(s)"	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"phase III clinical trial(s)"	a study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"phase IV clinical trial(s)"	a new drug post-marketing study. The purposes are to assess therapeutic effectiveness and adverse reactions when a drug is widely used, to evaluate overall benefit-risk relationships of the drug when used among general population or specific groups, and to adjust the administration dose, etc.
"PPS"	Per-Protocol Set
"PR"	100% partial response, referring to an at least 30% but below 100% decrease in the size of a target tumor lesion or in the extent of cancer in the body in response to treatment, according to RECIST 1.1
"prescription drug"	a drug which may only be prescribed by qualified medical practitioners
"Re-registration"	the valid term of a drug approval number, import drug license and pharmaceutical product license issued by the drug regulatory department under the state council is five years. To continue its drug production or importation, the applicant shall submit a reregistration application six months prior to the expiry date
"Rx"	the symbol for a medical prescription; it is derived from the Latin word recipe or "recipere" that means "to take"
"R&D"	research and development
"SAE"	serious adverse events, any medical occurrence in human drug trials that at any dose: results in death; is life-threatening; requires inpatient hospitalization or causes prolongation of existing hospitalization; results in persistent or significant disability/ incapacity; may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage
"SD"	stable disease, in oncology, indicating a cancer that is neither decreasing at least 30% nor increasing at least 20% in the size of a target tumor lesion or in the extent of cancer in the body in response to treatment
"second-line" or "2L"	with respect to any disease, the therapy or therapies that are given when initial treatments (first-line therapy) do not work, or stop working
"sequential therapy"	a method initially uses a specific drug in a particular manner, and then switches to another specific drug and method of administration when there are changes in the control of the disease

Glossary of Technical Terms (Continued)

"SS"	Safety Analysis Set
"T cell"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"tablet"	solid dosage forms made by blending and compressing powdered drugs with suitable excipients or using other appropriate methods, resulting in round or irregular-shaped tablets
"targeted drugs"	intervening with drugs targeting relatively specific points in tumors to inhibit their growth and proliferation
"The Lancet Oncology"	the world-leading clinical oncology journal publishing high-quality, peer reviewed original research (especially reports from clinical trials), reviews, comment and opinion
"third-line" or "3L"	with respect to any disease, the therapy or therapies that are given when both initial treatment (first-line therapy) and subsequent treatment (second-line therapy) do not work, or stop working
"toxicological evaluation"	a method of identifying and elucidating the toxicity and potential hazards of a substance through in vitro experiments, animal testing, and population observation
"TRAE"	treatment-related adverse event, undesirable events not present prior to medical treatment or an already present event that worsens in intensity or frequency following the treatment
"treatment naïve"	treatment-naïve patients, individuals who have received no prior cancer therapy for specific cancers
"TTP"	time to tumor progression, the length of time from the date of diagnosis of the tumor or the start of treatment until the disease starts to get worse or spread to other parts of the body. In a clinical trial, measuring the TTP is one way to see how well a new treatment works
"two-invoice system"	an important policy implemented in the circulation of medicines in China since 2016, which means that the production enterprises will issue invoices to the circulation enterprises once, and the circulation enterprises will issue invoices to the medical institutions once
"VBP"	a procurement method in which the State organizes centralized procurement of medicines, determines the winning price of the medicines and the supplying enterprises through bidding and competitive bidding, and concludes the procurement contract