



歌禮
ascletis

Ascletis Pharma Inc.
歌禮製藥有限公司

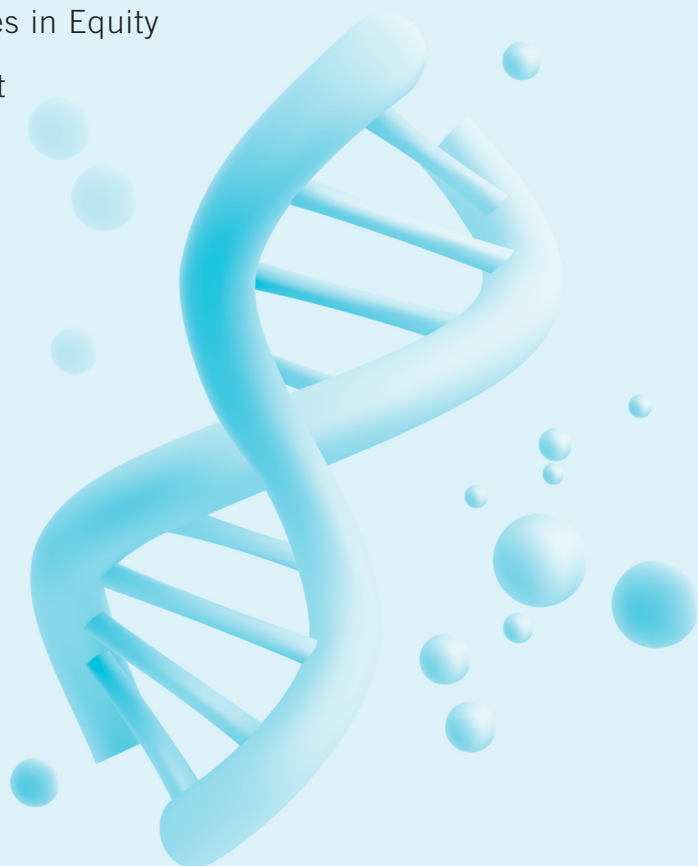
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1672

2024
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Jinzi Jason WU
(Chairman and Chief Executive Officer)
Mrs. Judy Hejingdao WU
(Senior Vice President)

Independent Non-executive Directors

Dr. Yizhen WEI
Mr. Jiong GU
Ms. Lin HUA

AUDIT COMMITTEE

Mr. Jiong GU *(Chairman)*
Dr. Yizhen WEI
Ms. Lin HUA

REMUNERATION COMMITTEE

Ms. Lin HUA *(Chairman)*
Dr. Yizhen WEI
Mrs. Judy Hejingdao WU

NOMINATION COMMITTEE

Dr. Jinzi Jason WU *(Chairman)*
Ms. Lin HUA
Dr. Yizhen WEI

AUTHORISED REPRESENTATIVES

Dr. Jinzi Jason WU
Mrs. Judy Hejingdao WU

COMPANY SECRETARY

Mr. Ming Fai CHUNG

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

40th Floor
Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

MAINLAND CHINA HEADQUARTERS

12/F, Building D
198 Qidi Road
HIPARK
Xiaoshan District
Hangzhou
Zhejiang Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

Corporate Information

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

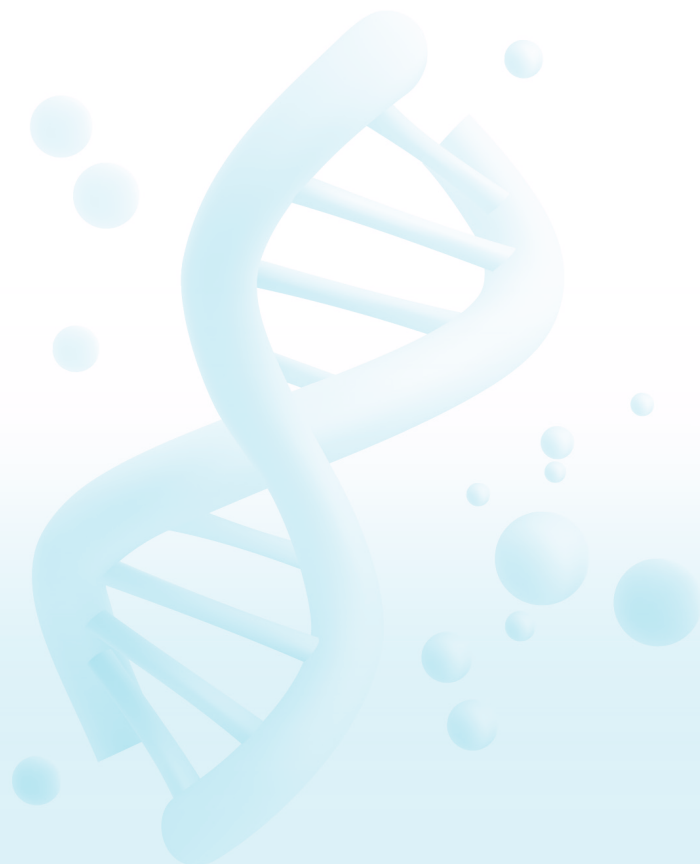
KPMG
*Public Interest Entity Auditor registered in
accordance with the Accounting and
Financial Reporting Council Ordinance*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

STOCK CODE

1672

COMPANY WEBSITE

www.ascletis.com



Chairman's Statement

Dear Shareholders,

It is my pleasure to address you as we concluded another challenging year at Ascleitis. In spite of the unprecedented challenges in our industry, we have remained resilient and focused on advancing our mission of improving patients' lives.

During the year of 2024 and up to the date of this report, the Group made significant progress for its metabolic disease pipeline: (i) ASC30 oral once-daily tablet for obesity: demonstrated potential best-in-class characteristics to treat patients with obesity, evidenced by mean body weight reductions from baselines of up to 6.3% after 28-day treatment; (ii) ASC30 once-monthly or less frequent subcutaneous (SQ) injection for obesity: demonstrated potential first-in-class characteristics, as a small molecule GLP-1R agonist against a validated target, to treat patients with obesity. The interim data are expected by the end of March 2025; and (iii) ASC47 once-monthly or less frequent subcutaneous injection for muscle preserving obesity treatment: demonstrated potential first-in-class characteristics, as an adipose-targeted small molecule thyroid hormone receptor beta (THR β) agonist against a novel target, to offer muscle preserving obesity treatment. ASC47 demonstrated a half-life of 40 days in patients with obesity.

These achievements reflected the Group's continuous efforts over the past year with a focus on differentiation strategy, R&D efficiency and best execution.

Our commitment to sustainability remains a top priority, and we are proud of the progress we have made in this area. We have implemented initiatives to reduce our carbon footprint. We believe that our efforts in sustainability not only benefit the environment but also help us to operate more efficiently and effectively as a business.

I am deeply grateful for your trust and confidence in us. We understand that investing in a biotech company can be very challenging, and we take our responsibility to you as shareholders very seriously. We are fully committed to delivering on our promises, operating with integrity and transparency, and creating value for you over the long term.

With a strategic decision on terminating several programs and constantly optimizing the R&D resources, the Group makes it clear that it will dedicate to discovering and developing pipeline assets with global competitiveness so as to create value to our patients, shareholders and employees.

Once again, I truly appreciate your continued support of our Company. We look forward to updating you on our progress in the years to come.

Dr. Jinzi Jason WU
Chairman & Chief Executive Officer

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial information and financial statements is set out below:

	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	35,001	76,876	54,090	56,596	1,283
Cost of sales	(58,498)	(37,703)	(78,782)	(30,606)	(548)
Gross profit/(loss)	(23,497)	39,173	(24,692)	25,990	735
Other income and gains	89,856	65,891	112,016	184,650	119,793
Selling and distribution expenses	(27,356)	(20,872)	(16,985)	(387)	-
Research and development costs	(109,099)	(213,320)	(267,102)	(216,781)	(302,394)
Administrative expenses	(41,845)	(29,947)	(35,199)	(115,633)	(101,744)
Other expenses	(83,412)	(21,942)	(59,830)	(2,135)	(11,809)
Finance costs	(135)	(125)	(157)	(144)	(244)
Share of the loss of an associate	(13,753)	(17,875)	(22,894)	(20,275)	(5,273)
Loss before taxation	(209,241)	(199,017)	(314,843)	(144,715)	(300,936)
Income tax	-	-	-	-	-
Loss for the year	(209,241)	(199,017)	(314,843)	(144,715)	(300,936)
Attributable to:					
Equity shareholders of the Company	(209,241)	(199,017)	(314,843)	(144,715)	(300,936)
Net loss margin	(597.8)%	(258.9)%	(582.1)%	(255.7)%	(23,455.7)%
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Loss per share – Basic and diluted	(20.12) cents	(18.13) cents	(28.96) cents	(13.47) cents	(30.05) cents

	As of December 31,				
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current assets	237,085	198,408	112,316	158,253	153,790
Current assets	2,829,987	2,631,551	2,544,726	2,332,756	1,970,782
Non-current liabilities	11,650	9,916	8,967	8,264	5,357
Current liabilities	73,772	90,971	108,189	140,679	153,053
Total equity	2,981,650	2,729,072	2,539,886	2,342,066	1,966,162

Corporate Profile

OUR VISION

Ascletis' vision is to become the most innovative world-class biomedical company addressing global unmet medical needs in the area of metabolic diseases.

OVERVIEW

During the Reporting Period and up to the date of this report, the Group has made significant progress for its metabolic disease pipeline: (i) ASC30 oral once-daily tablet for obesity demonstrated potential best-in-class characteristics to treat patients with obesity, evidenced by mean body weight reductions from baselines of up to 6.3% after a 28-day treatment; (ii) ASC30 once-monthly or less frequent subcutaneous (SQ) injection for obesity demonstrated potential first-in-class characteristics, as a small molecule GLP-1R agonist against a validated target, to treat patients with obesity. The interim data are expected by the end of March 2025; and (iii) ASC47 once-monthly or less frequent SQ injection for muscle preserving obesity treatment demonstrated potential first-in-class characteristics, as an adipose-targeted small molecule thyroid hormone receptor beta (THR β) agonist against a novel target, to offer muscle preserving obesity treatment. ASC47 demonstrated a half-life of 40 days in patients with obesity.

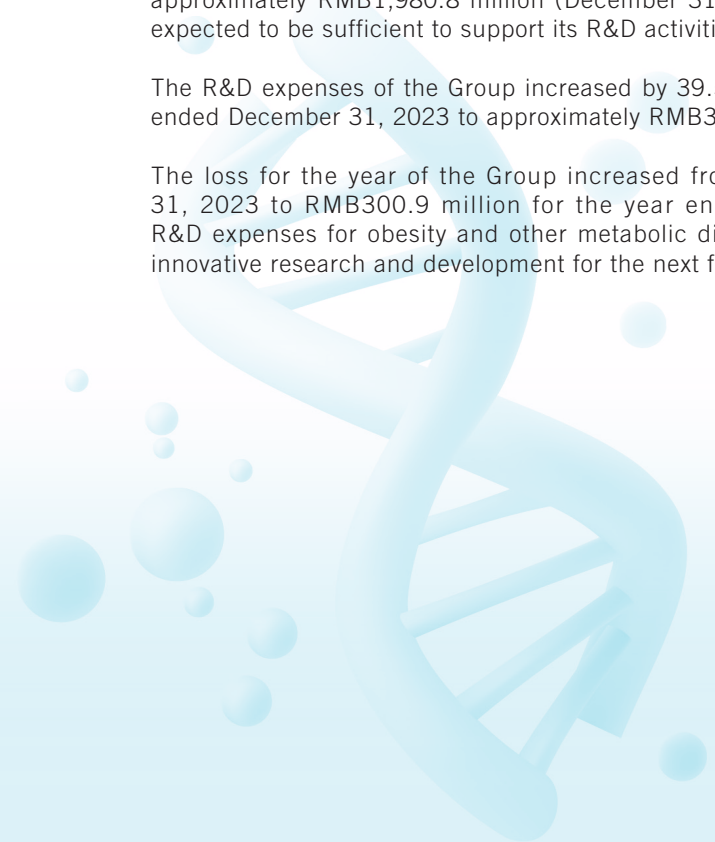
These achievements showcase the Group's strong R&D capabilities and longstanding commitments to discovering and developing differentiated pipeline assets with global competitiveness.

To support metabolic disease pipeline, the Group has changed the use of proceeds from the Global Offering pursuant to the resolutions resolved by the Board on March 26, 2025. For details, please see "Change of Use of Proceeds" and "Reasons for and Benefits of the Changes in the Use of Proceeds From the 2024 Allocation" in the announcement of the Company dated March 26, 2025.

As of December 31, 2024, the Group had cash and cash equivalent, time deposits, transferable certificate of deposit, structured deposits, wealth management products and bank deposit in transit of approximately RMB1,980.8 million (December 31, 2023: approximately RMB2,299.4 million), which is expected to be sufficient to support its R&D activities and operations until 2029.

The R&D expenses of the Group increased by 39.5% from approximately RMB216.8 million for the year ended December 31, 2023 to approximately RMB302.4 million for the year ended December 31, 2024.

The loss for the year of the Group increased from RMB144.7 million for the year ended December 31, 2023 to RMB300.9 million for the year ended December 31, 2024, mainly due to increased R&D expenses for obesity and other metabolic diseases. The Group has sufficient cash to support its innovative research and development for the next five years.



Corporate Profile

During the Reporting Period and up to the date of this report, the Group has made the following progress in the pipeline of metabolic disease and exploratory indication:

Metabolic Disease Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase Ia	Phase Ib	Phase IIa	Phase IIb
ASC30 (Once-daily oral small molecule)	GLP-1R	Obesity	Global	█					
ASC30 (Once-monthly subcutaneous small molecule)	GLP-1R	Obesity	Global	█					
ASC47 (Adipose-targeted once-monthly subcutaneous small molecule)	THRβ	Obesity/muscle preserving	Global	█					

Exploratory Indication Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III
ASC40 (Oral small molecule)	FASN	ACNE	Greater China ¹	█				
Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	POC	Pivotal
ASC40 (Oral small molecule)+Bevacizumab	FASN + VEGF	Recurrent glioblastoma	Greater China ¹	█				

Note:

- ASC40 is licensed from Sagimet for the exclusive rights in Greater China.

Abbreviations:

GLP-1R: GLP-1 receptor; THRβ: Thyroid hormone receptor beta; FASN: Fatty acid synthase; VEGF: Vascular endothelial growth factor.



Management Discussion and Analysis

BUSINESS REVIEW

During the Reporting Period and up to the date of this report, the Group has made the following progress with respect to its business.

Metabolic Diseases

ASC30 oral once-daily tablet for obesity

During the Reporting Period and up to the date of this report, the Group has obtained positive interim results from the first two cohorts of its randomized, double-blind, placebo-controlled Phase Ib multiple ascending dose (MAD) study (NCT06680440), conducted in the U.S., of ASC30 oral once-daily tablet in patients with obesity (body mass index (BMI): 30-40 kg/m²).

Mean body weight reductions from baselines were 4.3% and 6.3% for MAD cohorts 1 and 2, respectively, after 28-day treatment with ASC30 oral once-daily tablets. Placebo-adjusted mean body weight reductions from baselines were 4.2% and 6.2% for MAD cohorts 1 and 2, respectively.

ASC30 was generally well tolerated in MAD cohorts 1 and 2, with a favorable safety profile. There were no SAEs. All gastrointestinal (GI)-related AEs were mild (grade 1) or moderate (grade 2). Weekly titrations of ASC30 improved GI tolerability. In MAD cohort 1, there were no incidences of vomiting. No clinically significant changes in liver enzymes including alanine aminotransferase (ALT), aspartate aminotransferase (AST) and total bilirubin (TBL) were observed. There were no clinically significant findings in laboratory tests, vital signs, ECGs (electrocardiograms, including QTc intervals), and physical exams.

The preliminary data of efficacy and safety has demonstrated a strong competitiveness of ASC30 oral once-daily tablet for obesity on the global basis.

ASC30 is an investigational GLP-1R biased small molecule agonist and has unique and differentiated properties that enable the same small molecule for both oral tablet and SQ injection administrations. ASC30 is a new chemical entity (NCE), with U.S. and global compound patent protection until 2044.

Anticipated 2025 Milestone: Initiate 13-week Phase IIa clinical study in the U.S.

ASC30 once-monthly or less frequent SQ injection for obesity

During the Reporting Period and up to the date of this report, the Group has initiated Phase Ib clinical study of ASC30 once-monthly or less frequent SQ injection in patients with obesity in the U.S. and made significant progress.

The Phase Ib study of ASC30 once-monthly or less frequent SQ injection is a randomized, double-blind, placebo-controlled single ascending dose (SAD) study (NCT06679959), conducted in the U.S., in patients with obesity (BMI: 30-40 kg/m²). The Phase Ib SAD study consists of 8 cohorts with a total of 76 patients. Each cohort consisted 6 to 8 patients on ASC30 SQ injection and two patients in each cohort on matching placebo. After the single SQ injection, the patients were followed up for 12 to 14 weeks.

In animal models, ASC30 injection showed a half-life of up to 40 days, supporting once-monthly or less frequent injection in humans. In NHPs, a single dose of ASC30 SQ injection demonstrated sustained and favorable weight loss over one month compared to six weekly doses of an antibody-peptide conjugate.

Management Discussion and Analysis

ASC30 once-monthly or less frequent SQ injection has potentially strong competitive advantages (less frequent injections and/or lower cost of goods) against weekly-injected peptide GLP-1 drugs and monthly injected antibody-peptide conjugate drug candidate.

Anticipated 2025 Milestone: Announce topline results from Phase Ib clinical study in the U.S.

ASC47 once-monthly or less frequent SQ injection for muscle preserving obesity treatment

During the Reporting Period and up to the date of this report, the Group has announced positive topline results of Phase Ib studies of ASC47 monotherapy in Australia, and obtained the U.S. FDA clearance of IND application for ASC47 in combination with semaglutide.

ASC47, an adipose-targeted muscle-preserving weight loss drug candidate for the treatment of obesity, demonstrated a half-life of up to 26 days and 40 days, respectively, in Phase Ib single SQ injection studies in healthy subjects with elevated low-density lipoprotein cholesterol (LDL-C) and patients with obesity, supporting once-monthly to once-bimonthly administration.

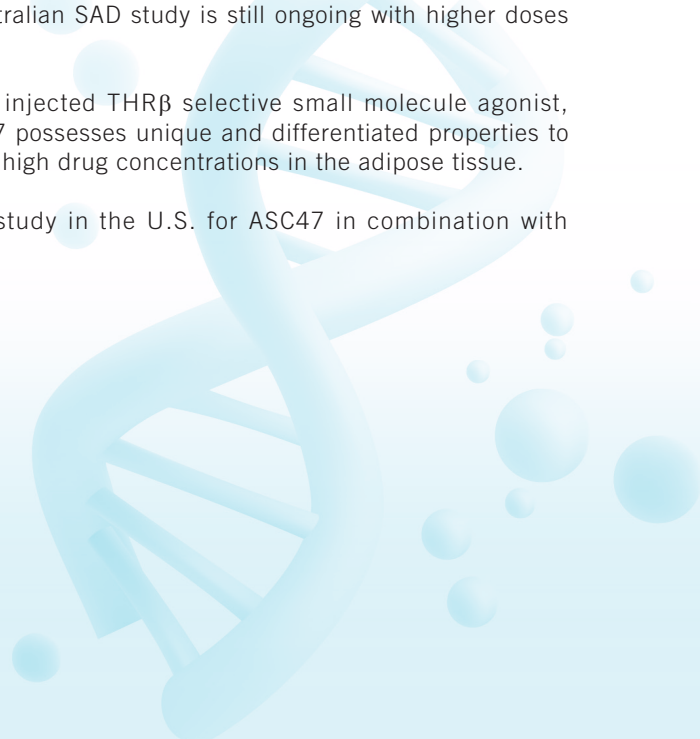
ASC47 single SQ injection (90 mg) in patients with obesity demonstrated a weight loss signal. Placebo-adjusted mean weight loss was 0.2% (day 29), 1.0% (day 43), and peaked at 1.7% (day 50), consistent with the speed of weight loss anticipated given ASC47's mechanism of action.

ASC47 single SQ injection demonstrated good tolerability up to 90 mg with no SAEs and no discontinuations due to AEs. The majority of AEs were mild (grade 1). There was no heart rate increase or abnormal liver enzyme changes.

The previous preclinical data indicated that in a head-to-head DIO mouse study, adipose-targeted low-dose ASC47 (human equivalent dose of 20 mg) in combination with semaglutide demonstrated not only a 56.7% greater reduction in body weight compared to semaglutide monotherapy but also muscle preservation. Interim data from a Phase I SAD study in Australia in subjects with elevated LDL-C (NCT06427590) showed that ASC47, via SQ injection, demonstrated a half-life of 21 days. Further, ASC47 demonstrated a good tolerability profile up to 90 mg with no SAEs and no discontinuations due to AEs. The majority of AEs were mild (grade 1). There were no gastrointestinal or cardiac AEs reported, as well as no abnormal liver enzymes reported. The Australian SAD study is still ongoing with higher doses of ASC47.

ASC47 is an adipose-targeted, ultra-long-acting SQ injected THR β selective small molecule agonist, discovered and developed in-house at Ascletis. ASC47 possesses unique and differentiated properties to enable adipose targeting, resulting in dose-dependent high drug concentrations in the adipose tissue.

Anticipated 2025 Milestone: Complete the clinical study in the U.S. for ASC47 in combination with semaglutide.



Management Discussion and Analysis

Viral Diseases

ASC22 for CHB Functional Cure

After comprehensive assessment based on strategic planning and resources optimization, the Group decided to terminate this program.

ASC10 for RSV

After comprehensive assessment based on strategic planning and resources optimization, the Group decided to terminate this program.

ASC22 for HIV Functional Cure

After comprehensive assessment based on strategic planning and resources optimization, the Group decided to terminate this program.

MASH

ASC40 for MASH

The Group will make further assessment and seek opportunities to maximize the value of this program.

ASC41 for MASH

After comprehensive assessment based on market competitiveness, strategic planning and resources optimization, the Group decided not to pursue any further development (including Phase III trials) for ASC41.

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors)

ASC40 for recurrent glioblastoma (rGBM)

GBM is the most aggressive diffuse glioma of astrocytic lineage and is considered a grade IV glioma based on the World Health Organization classification¹. Research shows that GBM accounts for 57% of gliomas and has an incidence rate of approximately 2.85 to 4.56 per 100,000 population in China per year, suggesting approximately 40,000 to 64,000 new cases of GBM per year². In the U.S., GBM represents 56.6% of gliomas and has an incidence rate of approximately 3.21 per 100,000 population per year³.

Next Step in 2025: The Group will seek opportunities to maximize the value of this program.

Management Discussion and Analysis

ASC61 for solid tumors

Since the Phase I study in the U.S. is completed, the Group will seek license-out opportunities to maximize the value of this program.

Exploratory Indication Pipeline

ASC40 for moderate to severe acne

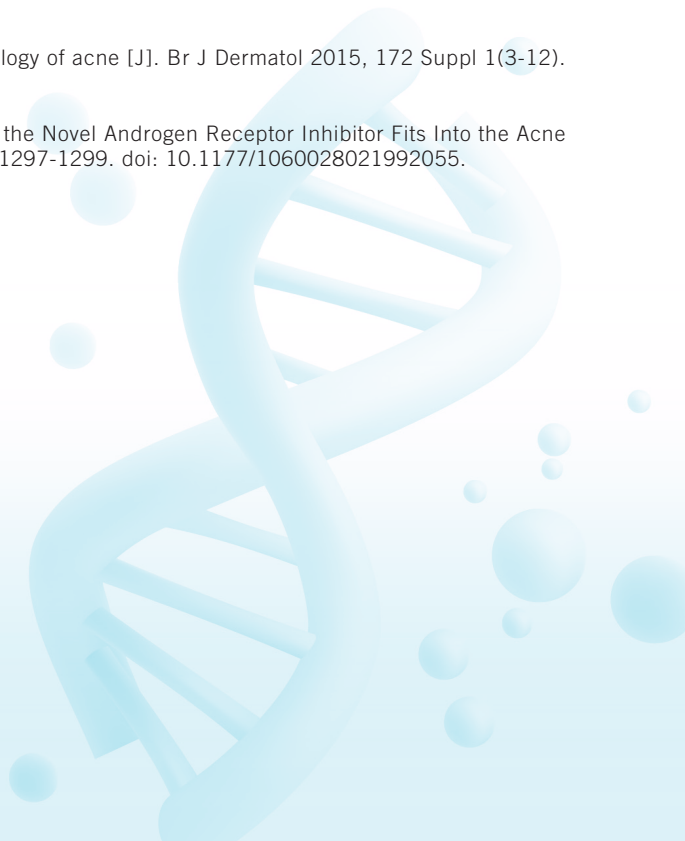
Acne is the eighth most prevalent disease in the world and affects more than 640 million people globally⁴. Adherence to topical therapies is worse when compared with that for oral agents: an estimated 30% to 40% of patients do not adhere to their topical treatments⁵.

Next Step in 2025: Complete Phase III clinical study and seek commercial partner to maximize the value of this program.

Cautionary statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to ultimately develop, market and/or commercialize the drug candidates in our pipeline successfully.

Notes:

1. Louis N, Perry A, Reifenberge RG, von Deimling A, Figarella-Branger D, Cavenee WK, et al. The 2016 World Health Organization classification of tumors of the central nervous system: A summary. *Acta Neuropathol.* 2016;131:803-20.
2. 2017 China Cancer Registry Annual Report.
3. Ostrom Q T, Gittleman H, Truitt G, et al. CBTRUS Statistical Report: Primary Brain and Other Central Nervous System Tumors Diagnosed in the United States in 2011-2015 [J]. *Neuro Oncol* 2018, 20 (suppl_4): iv1-iv86. DOI: 10.1093/neuonc/noy131.
4. Tan J K, Bhate K. A global perspective on the epidemiology of acne [J]. *Br J Dermatol* 2015, 172 Suppl 1(3-12). DOI: 10.1111/bjd.13462.
5. Purvis CG, Balogh EA, Feldman SR. Clascoterone: How the Novel Androgen Receptor Inhibitor Fits Into the Acne Treatment Paradigm. *Ann Pharmacother.* 2021;55(10):1297-1299. doi: 10.1177/1060028021992055.



Management Discussion and Analysis

THE GROUP'S FACILITIES

The Group has manufacturing facilities located in Shaoxing, Zhejiang Province with a total gross floor area of 17,000 square meters. Our manufacturing facility is equipped with state-of-the-art production equipment with cutting-edge technology capabilities such as hot-melt extrusion and high-speed press to ensure the high quality of our products.

As of December 31, 2024, we had 11 wholly-owned subsidiaries. Our business was mainly conducted through three operating subsidiaries in China, namely Ascletis BioScience, Ascletis Pharmaceuticals and Gannex Pharma.

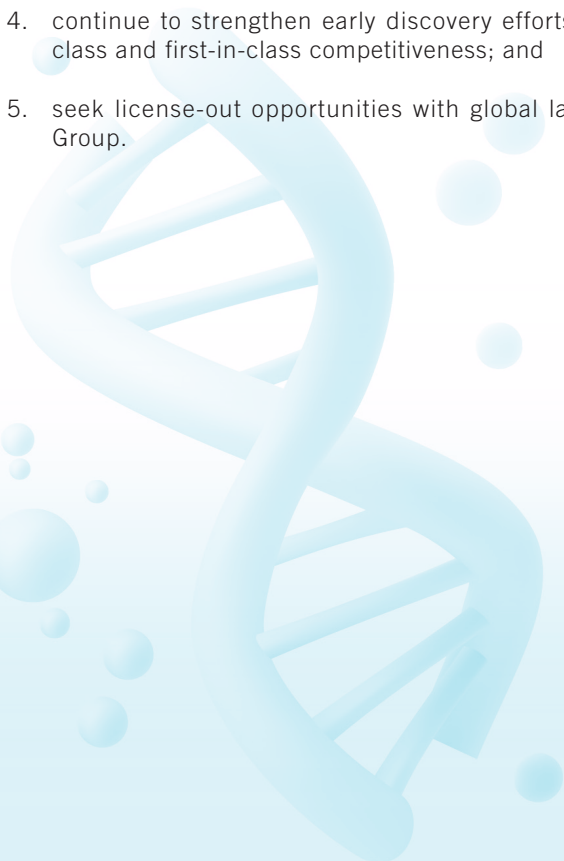
OTHER UPDATES

While vigorously developing its candidates in the metabolic disease pipeline, the Group is seeking proper opportunities to license out its multiple clinical assets.

FUTURE AND OUTLOOK

The Group has established a comprehensive metabolic disease pipeline with key clinical stage assets. The following are strategies and outlook for 2025:

1. announce topline results from Phase Ib clinical study in the U.S. for ASC30 once-monthly or less frequent SQ injection for obesity;
2. initiate 13-week Phase IIa clinical study in the U.S. for ASC30 oral once-daily tablet for obesity;
3. complete clinical study in the U.S. for ASC47 in combination with semaglutide;
4. continue to strengthen early discovery efforts to develop more pipeline assets with global best-in-class and first-in-class competitiveness; and
5. seek license-out opportunities with global large pharma companies to maximize the value of the Group.



Management Discussion and Analysis

FINANCIAL REVIEW

Cash, Cash Equivalent and Other Capital Resources

As at December 31, 2024, the Group had cash and cash equivalent, time deposits, transferable certificate of deposit, structured deposits, wealth management products and bank deposit in transit of approximately RMB1,980.8 million (December 31, 2023: approximately RMB2,299.4 million), which is expected to be sufficient to support its R&D activities and operations until 2029.

Revenue

The total revenue of the Group decreased from approximately RMB56.6 million for the year ended December 31, 2023 to approximately RMB1.3 million for the year ended December 31, 2024 primarily due to the Group strategically realigned its resources in 2024 due to the alleviation of COVID-19, resulting in no revenue from certain specific product line.

Cost of Sales

The cost of sales of the Group decreased from approximately RMB30.6 million for the year ended December 31, 2023 to approximately RMB0.5 million for the year ended December 31, 2024 in line with the overall revenue trend of the Group for the same period.

Gross Profit

For the year ended December 31, 2024, the Group recorded a gross profit of approximately RMB0.7 million, compared to a gross profit of approximately RMB26.0 million for the year ended December 31, 2023 in line with the overall revenue trend of the Group for the same period.

Other Income and Gains

The other income and gains of the Group decreased by 35.1% from approximately RMB184.7 million for the year ended December 31, 2023 to approximately RMB119.8 million for the year ended December 31, 2024, primarily due to (i) a significant decrease in gain on dilution of interest in associate from approximately RMB60.6 million for the year ended December 31, 2023 to approximately RMB21.1 million for the year ended December 31, 2024, which represents the decrease in interest of Sagimet resulting from the dilution due to the IPO financing and post-IPO financing of Sagimet; and (ii) a significant increase in net loss arising from fair value remeasurement of interest in a former associate from nil for the year ended December 31, 2023 to approximately RMB24.5 million for the year ended December 31, 2024, because the Group ceased to account for its equity interest in Sagimet under equity method and recognized a loss of approximately RMB24.5 million following the Group's loss of significant influence on Sagimet on June 5, 2024.

Government grants mainly represented subsidies received from the local governments for the purpose of compensation for expenses arising from research activities, clinical trials and daily operating activities and capital expenditure incurred on certain projects, and awarding the new drug development.

Management Discussion and Analysis

The following table sets forth the components of our other income and gains for the years indicated:

	Year ended December 31,		Year ended December 31,	
	2024		2023	
	RMB'000	%	RMB'000	%
Bank interest income	92,237	77.0	99,278	53.8
Government grants	21,148	17.7	6,603	3.6
Gain on dilution of interest in associate	21,147	17.7	60,587	32.7
Net realized and unrealized gains on wealth management products	6,351	5.3	8,387	4.5
Foreign exchange gain, net	4,149	3.5	9,699	5.3
Net realized and unrealized gains on financial assets at FVOCI	949	0.8	–	–
Others	11	0.0	96	0.1
Net unrealized loss of interest in Sagimet measured at FVPL	(1,653)	(1.4)	–	–
Net loss arising from fair value remeasurement of interest in a former associate	(24,546)	(20.6)	–	–
Total	119,793	100.0	184,650	100.0

Selling and Distribution Expenses

For the year ended December 31, 2024, we did not record any selling and distribution expenses (for the year ended December 31, 2023: approximately RMB0.4 million), mainly because we have ceased to proactively promote HCV products since 2023.

Administrative Expenses

The administrative expenses of the Group decreased by 12.0% from approximately RMB115.6 million for the year ended December 31, 2023, to approximately RMB101.7 million for the year ended December 31, 2024, primarily due to decrease in staff related costs and consulting fees.

Our administrative expenses primarily consisted of (i) agency and consulting fees; (ii) staff salary and welfare costs for non-R&D personnels; and (iii) utilities, rent and general office expenses.

The following table sets forth the components of our administrative expenses for the years indicated:

	Year ended December 31,		Year ended December 31,	
	2024		2023	
	RMB'000	%	RMB'000	%
Agency and consulting fees	50,671	49.8	62,428	54.0
Staff salary and welfare costs	34,047	33.5	38,864	33.6
Utilities, rent and general office expenses	12,137	11.9	14,193	12.3
Others	4,889	4.8	148	0.1
Total	101,744	100.0	115,633	100.0

Management Discussion and Analysis

R&D Expenses

The Group's R&D expenses primarily consisted of preclinical and clinical trial expenses, staff costs and depreciation and amortization costs.

The R&D expenses of the Group increased by 39.5% from approximately RMB216.8 million for the year ended December 31, 2023 to approximately RMB302.4 million for the year ended December 31, 2024, primarily due to the rise in overseas clinical expenses and increased technical service costs associated with preclinical and clinical projects.

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

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Preclinical and clinical expenses	176,402	89,895
Staff costs	101,532	103,121
Depreciation and amortization costs	12,353	10,868
Others	12,107	12,897
Total	302,394	216,781

The following table sets forth the components of our R&D costs by product pipeline for the years indicated:

	Year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Metabolic diseases	99,237	12,290
Exploratory indications		
– ACNE	81,472	31,557
– Oncology	34,049	48,750
– MASH/PBC	24,407	51,212
– Viral diseases	11,381	32,950
Pre-clinical	51,848	40,022
Total	302,394	216,781

Management Discussion and Analysis

Finance Costs

The Group recorded finance costs of approximately RMB0.2 million for the year ended December 31, 2024, due to the interest on the lease liabilities (for the year ended December 31, 2023: approximately RMB0.1 million).

Other Expenses

Other expenses of the Group increased by 453.1% from approximately RMB2.1 million for the year ended December 31, 2023 to approximately RMB11.8 million for the year ended December 31, 2024, mainly due to the increased impairment of other intangible assets.

The following table sets forth the components of other expenses for the years indicated:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Impairment of other intangible assets	10,579	–
Others ¹	1,230	1,686
Donation	–	449
Total	11,809	2,135

1. “Others” include costs of disposal of inventories and items of property, plant and equipment, and impairment of prepayments, among others.

Income Tax

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

The Group calculates the income tax expense by using the tax rate that would be applicable to the expected total annual earnings.

The Group did not incur any income tax expenses as the Group did not generate taxable income for the years ended December 31, 2023 and 2024.

Management Discussion and Analysis

Inventories

The inventories of the Group consisted of raw materials used in R&D and work in progress. Our inventories decreased from approximately RMB6.1 million for the year ended December 31, 2023 to approximately RMB4.4 million as at December 31, 2024, mainly due to the increased impairment of inventories.

The following table sets forth the inventory balances as of the dates indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Raw materials	4,373	5,667
Work in progress	–	404
Total	4,373	6,071

Trade Receivables

The Group's trade receivables decreased from approximately RMB5.4 million as at December 31, 2023 to approximately RMB0.2 million as at December 31, 2024, primarily due to the Group's receipt of promotion service fee for Pegasys® in China from Shanghai Roche.

	December 31, 2024	2023
	RMB'000	RMB'000
Trade receivables	152	5,434
Less: Impairment of trade receivables	–	2
Total	152	5,432

Management Discussion and Analysis

The Group's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the dates indicated, based on the invoice date and net of loss allowance, is as follows:

	December 31, 2024	2023
	RMB'000	RMB'000
Within 3 months	152	–
3 to 6 months	–	–
6 to 12 months	–	5,432
	152	5,432

Prepayments, Other Receivables and Other Assets

The following table sets forth the components of prepayment, other receivables and other assets as at the dates indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Value-added tax recoverable	9,111	14,277
Deposits and other receivables	4,990	3,843
Cash in transit	1,404	–
Prepayments	1,248	4,131
Prepaid expenses	1,009	1,026
Impairment	–	(1,427)
Total	17,762	21,850

Our value-added tax recoverable represented the value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable decreased by 36.2% from approximately RMB14.3 million as at December 31, 2023 to approximately RMB9.1 million as at December 31, 2024, which was mainly due to the increase in value-added taxes refund.

Deposits and other receivables are miscellaneous expenses including rental and other deposits.

Our prepayments mainly represented our purchase of clinical trial services. Our prepayments decreased by 69.8% from approximately RMB4.1 million as at December 31, 2023 to approximately RMB1.2 million as at December 31, 2024, primarily due to the decreased prepayments of non-refundable royalty fee to Roche and prepayments in relation to R&D.

Prepayments to suppliers as at December 31, 2024 are due within one year.

As of the date of this report, no impairment losses were provided for the Group's prepayments, other receivables and other assets.

Management Discussion and Analysis

Financial Assets at Fair Value through Profit and Loss – Non-current

The non-current portion of financial assets at FVPL of the Group increased from nil as at December 31, 2023 to approximately RMB53.5 million as at December 31, 2024, primarily due to the Group's non-current balances of financial assets at FVPL representing investments in equity securities listed on the NASDAQ transferred from the investment in an associate due to the remeasurement of the interest in Sagimet following the Group's loss of significant influence on Sagimet on June 5, 2024.

Financial Assets at Fair Value through Profit and Loss – Current

The current portion of financial assets at FVPL of the Group decreased from approximately RMB24.8 million as at December 31, 2023 to approximately RMB7.4 million as at December 31, 2024, primarily due to the decreased investment in wealth management products in order to reduce financial risk.

Cash and Bank Balances

The following table sets forth the components of the Group's time deposits and cash and cash equivalents as at the dates indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Time deposits	1,074,436	1,944,457
Cash and cash equivalents	864,326	330,117
Total	1,938,762	2,274,574

Time deposits with original maturity over three months are made for varying periods depending on our immediate cash requirements, and earn interest at the respective time deposit rates. Cash and cash equivalents and time deposits earn interest at floating rates based on daily bank deposit rates and the respective time deposit rates. The cash and cash equivalents and time deposits are deposited with creditworthy banks with no recent history of default.

Trade Payables

Trade payables of the Group primarily consisted of payments to raw materials suppliers. The following table sets forth the component of trade payables as at the dates indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Trade payables	31	649
Total	31	649

Management Discussion and Analysis

The following table sets forth an aging analysis of the trade payables as at the dates indicated, which is based on invoice date:

	December 31, 2024	2023
	RMB'000	RMB'000
Within 3 months	31	644
3 to 12 months	–	5
	31	649

Other Payables and Accruals

The following table sets forth the components of other payables and accruals outstanding as at the dates indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Accrued expenses	66,002	34,009
Other payables	45,737	40,860
Provisions	15,265	–
Payroll payable	13,715	56,141
Taxes other than income tax	4,078	1,722
Contract liabilities	391	–
Total	145,188	132,732

The accrued expenses as at December 31, 2024 mainly represented the accrued R&D expenses actually incurred but not yet invoiced. The accrued expenses increased from approximately RMB34.0 million as at December 31, 2023 to approximately RMB66.0 million as at December 31, 2024. The accrued expenses are non-interest-bearing and due within one year.

Our other payables remained relatively stable and increased from approximately RMB40.9 million as at December 31, 2023 to approximately RMB45.7 million as at December 31, 2024.

The provisions increased from nil as at December 31, 2023 to approximately RMB15.3 million as at December 31, 2024, mainly because the Group recognized a provision of approximately RMB11.2 million following an arbitration award made on March 10, 2025, following an arbitration initiated by Fujian Cosunter Pharmaceutical Co., Ltd. (福建廣生堂藥業股份有限公司) and Fujian Guangsheng Zhonglin Biotechnology Co., Ltd. (福建廣生堂中霖生物科技有限公司) concerning certain disputes over commercial contracts between the parties.

Our payroll payables decreased from approximately RMB56.1 million as at December 31, 2023 to approximately RMB13.7 million as at December 31, 2024. This is because our 2023 year-end bonuses were fully paid in 2024 and a portion of our year-end bonuses in 2024 were settled in the same year, resulting a decrease in the accrued bonus and salary to employees.

Management Discussion and Analysis

Deferred Income

The deferred income of the Group represented government grants which have been awarded, but we have yet to meet the conditions of the grants as of the relevant dates. The following table sets forth the deferred income as of the dates indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Government grants		
– Current	1,588	1,588
– Non-current	3,970	5,558
Total	5,558	7,146

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund its R&D activities, purchase of equipment and raw materials and other recurring expenses. During the Reporting Period, the Group funded its working capital and other capital expenditure requirements by the proceeds from the Global Offering.

The following table sets forth a condensed summary of our Group's consolidated statement of cash flows for the years indicated and analysis of balances of cash and cash equivalents for the years indicated:

	December 31, 2024	2023
	RMB'000	RMB'000
Net cash used in operating activities	(341,579)	(223,795)
Net cash generated from investing activities	978,906	229,478
Net cash used in financing activities	(103,508)	(81,496)
Net increase/(decrease) in cash and cash equivalents	533,819	(75,813)
Cash and cash equivalents at the beginning of year	330,117	403,768
Effect of foreign exchange rate changes, net	390	2,162
Cash and cash equivalents at the end of year	864,326	330,117

As at December 31, 2024, our cash and cash equivalents were mainly denominated in Renminbi and U.S. dollars.

Management Discussion and Analysis

Operating Activities

Our cash inflows from operating activities mainly consisted of trade receivables received from customers, government grants and bank interest income. Our cash outflows from operating activities mainly consisted of payment of R&D costs and administrative expenses.

For the year ended December 31, 2024, we had net cash used in operating activities of approximately RMB341.6 million, primarily as a result of operating loss before changes in working capital of approximately RMB355.4 million. The changes in working capital are mainly due to payment of R&D costs.

Investing Activities

Our cash used in investing activities mainly consisted of our cash in time deposits with original maturity of over three months, purchase of property, plant and equipment, purchase of intangible assets, purchase of financial assets at FVPL, and financial assets at FVOCI.

For the year ended December 31, 2024, our net cash generated from investing activities was approximately RMB978.9 million, primarily due the decrease in time deposits of approximately RMB866.0 million.

Financing Activities

Our cash used in financing activities primarily related to repurchase of Shares during the Reporting Period.

For the year ended December 31, 2024, our net cash used in financing activities was approximately RMB103.5 million, primarily attributable to repurchase of shares in an aggregate consideration of approximately RMB98.5 million.



Management Discussion and Analysis

Capital Expenditures

The principal capital expenditures of the Group primarily consisted of the purchase of office equipment, plant and machinery and expenditures for construction in progress. The following table sets forth our net capital expenditures as at the dates indicated:

	December 31, 2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Office equipment	1,493	2,622
Plant and machinery	477	1,773
Construction in progress	–	839
Total	1,970	5,234

Our capital expenditures decreased by 62.4% from approximately RMB5.2 million as at December 31, 2023 to approximately RMB2.0 million as at December 31, 2024, primarily because we have reduced the purchase of the machinery and office equipment for laboratory renovation.

Significant Investments, Material Acquisitions and Disposals

During the year ended December 31, 2024, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associate companies.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus and the section headed “Change of Use of Proceeds” in the announcement of the Company dated March 26, 2025, the Group does not have any other plans for material investments or capital assets.

Indebtedness

Borrowings, Charges of Assets and Guarantees

As at December 31, 2024, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Contingent Liabilities

On December 29, 2022, Viking Therapeutics, Inc. (“**Viking**”), a pharmaceutical company in the United States, filed certain complaints against the Company, its founder Jinzi Jason WU and certain subsidiaries of the Company in connection with the Group’s drug candidates ASC41 and ASC43F. One complaint was made with the United States International Trade Commission, Washington D.C. (the “**ITC**”) and another complaint was made with the United States District Court, Southern District of California, (the “**USDC**”) San Diego Division, each covering similar allegations.

Management Discussion and Analysis

On October 4, 2024, the Company received an initial determination from the ITC on the complaint (the “**Initial Determination**”). The Initial Determination, made by an Administrative Law Judge of the ITC, found a violation of Section 337 of the Tariff Act of 1930 (as amended) in the importation of the Company’s drug candidates ASC41 and ASC43F into the United States. In addition, a monetary sanction of USD567,000 (equivalent to approximately RMB4,038,000) was proposed due to certain procedural issues during the investigation phase. The Company has made a provision for this monetary sanction in the financial statements. As Viking’s complaint made with the ITC does not include any pecuniary compensation, the Company believes that the complaint will not have any material adverse effect on the Group.

Regarding the complaint made with USDC, there has been no major progress since January 1, 2024 and up to the date of this report, and the relevant investigation and litigation proceedings are ongoing. The Company will vigorously defend against the complaint. Accordingly, the Group has not made any provision for the allegations arising from the complaint made with USDC filed by Viking as at December 31, 2024.

Charges of Assets

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

Contractual Commitments

We leased certain of our properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated for terms ranging mainly from one to three years.

The Group had RMB0.6 million of capital commitment as at December 31, 2024 and RMB0.2 million of capital commitment as at December 31, 2023.

Key Financial Ratios

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

	December 31,	
	2024	2023
Current ratio ⁽¹⁾	12.9	16.6
Quick ratio ⁽²⁾	12.8	16.5
Gearing ratio ⁽³⁾	7.5%	6.0%

Notes:

- (1) Current ratio represents current assets divided by current liabilities as of the same date.
- (2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.
- (3) Gearing ratio represents total liabilities divided by total assets as of the same date and multiplying by 100%.

Our current ratio decreased from 16.6 as at December 31, 2023 to 12.9 as at December 31, 2024, and our quick ratio decreased from 16.5 as at December 31, 2023 to 12.8 as at December 31, 2024, primarily due to a decrease in current assets.

Our gearing ratio increased from 6.0% as at December 31, 2023 to 7.5 % as at December 31, 2024, primarily due to a decrease in current assets.

Management Discussion and Analysis

Foreign Exchange Risk

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which the Group conducts business may affect our financial condition and results of operation.

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of Renminbi from foreign currencies, including the USD, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

Employees and Remuneration Policies

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the Directors and senior management.

As at December 31, 2024, the Group had a total of 231 employees, 229 of which were located in the PRC. Over 81.3% of our employees obtained a bachelor's degree or higher. The table below sets forth our Group's employees by function as disclosed:

	As at December 31, 2024	
	Numbers of employees	% of total
Management	4	1.7
R&D	161	69.7
Manufacturing	27	11.7
Operations	39	16.9
Total	231	100.0

Our Group's total staff costs for the year ended December 31, 2024 was approximately RMB136.1 million, compared to approximately RMB144.0 million for the year ended December 31, 2023.

The Group recruits employees through recruitment websites, recruiters, internal referral and job fairs. The Group conducts new employee training, as well as professional and compliance training programs for employees.

The Group enters into employment contracts with employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally determined by the qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds for our employees as required by the PRC laws and regulations.

The Group also has adopted the share schemes under Chapter 17 of the Listing Rules to provide incentives to employees for their persistent devotion in achieving long-term growth of the Group.

Management Discussion and Analysis

Employee Benefits

A majority of the Group's employees are located in the PRC. These employees are required to participate in a central pension scheme (the "**PRC Pension Scheme**") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme.

For the year ended December 31, 2024, approximately RMB6.4 million was charged in the consolidated income statement of the Group (for the year ended December 31, 2023: approximately RMB6.5 million), which represented contributions paid to the PRC Pension Scheme at rates specified in the rules of the scheme, such as contribution to defined benefit retirement plans. Under the PRC Pension Scheme, no forfeiture contributions will be used by the employers to reduce the existing level of contributions.



Directors and Senior Management

DIRECTORS

Executive Directors

Jinzi Jason WU

Chairman of the Board, executive Director and chief executive officer

Dr. Jinzi Jason WU (吳勁梓), aged 62, is the founder of our Group. Dr. Wu was appointed as a Director on February 25, 2014 and was appointed as the chairman of the Board on March 30, 2018. Dr. Wu was redesignated as an executive Director on April 27, 2018. Dr. Wu has served as the chief executive officer of our Group since April 2013. Dr. Wu is primarily responsible for overall management of the business strategy and corporate development of our Group. Dr. Wu is also involved in research and development of all of the candidates in the Group's pipeline. Dr. Wu also holds the following positions with other members of our Group:

- a director of PowerTree since January 2011;
- a director and chief executive officer of Ascletris BioScience since April 2013 to December 2024;
- a director and chief executive officer of Ascletris Pharmaceuticals since September 2014 to January 2025;
- a director of Ascletris Pharma (China) since March 2018, an chief executive officer of Ascletris Pharma (China) since January 2023;
- a director and chief executive officer of Ascletris Biopharma since April 2018 to January 2025;
- a director and chief executive officer of Ascletris Xinnuo Medicine since July 2018;
- a director of AP11 Limited since November 2018;
- a director of SoundRidge Pharmaceuticals (Hong Kong) Co., Limited since April 2019;
- a director and chief executive officer of Gannex Pharma Co., Ltd. since September 2019 to January 2025;
- a manager of Gannex, LLC since October 2020; and
- a director of ASCLETIS (AUSTRALIA) PTY LTD since October 2023.

Dr. Wu has more than 27 years of experience in pharmaceutical research and development. From February 2019 to June 2024, Dr. Wu served as a director of Sagimet, whose shares are listed on Nasdaq Stock Market (ticker symbol: SGMT). From June 2008 to February 2011, he served as a vice president of HIV Drug Discover Performance Unit at GSK in the U.S., a global pharmaceutical company whose shares are listed on the New York Stock Exchange (ticker symbol: GSK), where he was mainly responsible for discovery and development of multiple pre-clinical and clinical stage drug candidates. From June 2004 to June 2008, Dr. Wu served as a vice president of Pre-clinical and Basic Research at Ambrilia (formerly known as Procyon), a global biotech company headquartered in Montreal Canada, whose shares were listed on the Canada Stock Exchange (ticker symbol: AMB) and were later delisted on March 4, 2011, where he was mainly responsible for overseeing research and development in areas of anti-viral and anti-cancer drugs. From 2002 to 2004, Dr. Wu also served at PhageTech Inc., an antibiotic discovery company, as a vice president of research and development. Dr. Wu also worked at Immunex Corporation as a group leader of small molecule drug discovery in 2002 prior to joining PhageTech Inc. From 1997 to 2000, Dr. Wu served as a senior scientist at Novartis Pharmaceuticals Corporation, a global pharmaceutical company whose shares are listed on New York Stock Exchange (ticker symbol: NVS), where he was mainly responsible for drug screening.

Directors and Senior Management

Dr. Wu received his bachelor's degree in physiology from Nanjing University (南京大學) in the PRC in July 1985, his master's degree in physiology from Nanjing University in the PRC in June 1988 and his doctorate degree in cancer biology from University of Arizona in the U.S. in August 1996.

Mrs. Judy Hejingdao WU (何淨島), aged 51, was appointed as a Director on March 30, 2018 and was re-designated as an executive Director on April 27, 2018. Mrs. Wu also served as a Director of our Company from September 9, 2015 to September 26, 2016. Mrs. Wu is the spouse of Dr. Jinzi Jason WU. Mrs. Wu has served as a vice president of our Group since January 2014 and was re-designated as a senior vice president of operations since March 1, 2021. Since joining our Group, Mrs. Wu has actively participated in the daily operations of our Group and she is primarily responsible for overseeing operations of our Group, including management of our human resource and general affairs of our Group, among others. Mrs. Wu also holds the following positions with other members of our Group:

- a vice president of Ascletris BioScience, where she is mainly responsible for operations of the company since January 2014, a director of Ascletris BioScience from January 2014 to July 2018, a director and manager of Ascletris BioScience since December 2024;
- a vice president of Ascletris Pharmaceuticals where she is mainly responsible for operations of the company from September 2014 to December 2021, a director of Ascletris Pharmaceuticals since January 2025;
- a manager of Gannex, LLC since January 2021;
- a director and manager of Ascletris Biopharma since January 2025; and
- a director and manager of Gannex Pharma Co., Ltd. since January 2025.

Mrs. Wu received her bachelor's degree in industrial design from Zhejiang University (浙江大學) in the PRC in July 1996.

Note: Dr. Wu and Mrs. Wu are spouses.

Independent Non-executive Directors

Dr. Yizhen WEI (魏以楨), aged 50, was appointed as an independent non-executive Director on April 27, 2018. Dr. Wei is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Wei has over 22 years of experience in clinical medicine industry. Since December 1999, Dr. Wei has served several positions at Fuwai Hospital – China Academy of Medical Science (中國醫學科學院阜外醫院), including resident physician from December 1999 to September 2003, attending physician from September 2003 to July 2009 and consultant physician thereafter and obtained the professional title as a chief physician in July 2022. Dr. Wei was appointed as a medical appraisal expert of Beijing Medical Association (北京市醫學會) in December 2013. Dr. Wei has served as a member of the Cardiovascular Committee of the National Cardiovascular Disease Center since August 2016.

Dr. Wei received his bachelor's degree in clinical medicine in English (英文醫學) from China Medical University (中國醫科大學) in the PRC in July 1998 and his doctorate degree in Surgery from Chinese Academy of Medical Science & Peking Union Medical College (中國醫學科學院北京協和醫學院) in the PRC in January 2008.

Mr. Jiong GU (顧炯), aged 52, was appointed as an independent non-executive Director on April 27, 2018. Mr. Gu is primarily responsible for supervising and providing independent judgement to our Board. Mr. Gu is also the chairman of the audit committee of our Board.

Directors and Senior Management

Mr. Gu served as the chief financial officer and vice president of CMC Holdings Limited (華人文化有限責任公司), an investment platform focusing on media and entertainment investments from September 2016 to July 2024. Mr. Gu was the chief financial officer of CMC Capital Partners (華人文化產業投資基金), an investment fund specializing in media and entertainment investment in the PRC and globally from September 2013 to August 2016. From January 2010 to August 2013, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd. (百視通新媒體股份有限公司), a PRC company principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through a media source platforms, whose shares are listed on Shanghai Stock Exchange (stock code: 600637). From April 2004 to December 2009, Mr. Gu successively worked at UTStarcom Telecom Co., Ltd. (UT 斯達康通訊有限公司) and its holding company, UTStarcom Inc., a global telecom infrastructure provider specialized in the provision of packet optical transport and broadband access products to network operators, whose shares are listed on Nasdaq (ticker symbol: UTSI), where he was responsible for accounting and financial matters. From July 1995 to April 2004, Mr. Gu had worked for Ernst & Young's Shanghai office and was the senior manager of the audit department when he left the firm. From June 2015 to June 2021, Mr. GU was the independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司) (HK2699). From March 2017 to July 2023, he was the independent non-executive director of Amlogic (Shanghai) Co., Ltd (晶晨半導體(上海)股份有限公司) (Stock code: 688099). From September 2018 to January 2023, he was the independent non-executive director of Dafa Properties Group Limited (大發地產集團有限公司) (Cancellation of listing in October 2024, HK6111). From May 2019, Mr. Gu has been appointed as the independent non-executive director of Mulsanne Holding Limited (慕尚集團控股有限公司) (HK1817). From December 2020, he has been appointed as the independent non-executive director of Vesync Co., Ltd (HK2148). From December 2022 to April 2025, he was the independent non-executive director of Howkingtech International Holding Limited (濠暉科技國際控股有限公司) (HK2440). From April 2024, he has been appointed as the independent non-executive director of Mao Geping Cosmetics Co., Ltd. (毛戈平化妝品股份有限公司) (HK1318). From March 2025, he has been appointed as an executive director of Shaw Brothers Holdings Limited (邵氏兄弟控股有限公司) (HK0953).

Mr. Gu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu received his bachelor's degree in finance management from Fudan University (復旦大學) in the PRC in July 1995.

Ms. Lin HUA (華林), aged 51, was appointed as an independent non-executive Director on April 27, 2018. Ms. Hua is primarily responsible for supervising and providing independent judgement to our Board.

Since June 2022, Ms. Hua has been appointed as the executive director of Beijing Wenguanglv New Culture Communication Co., Ltd.* (北京文廣旅新文化傳播有限公司). Since May 2016, Ms. Hua has served as the managing director of Beijing Highgrove Cultural Communication Co., Ltd. (北京海格羅府文化傳播有限公司), a company primarily conducted cultural communication activities including organizing exhibitions and introducing and marketing foreign brands into PRC, where she was mainly responsible for overall management of its Greater China operations. From April 2010 to April 2016, Ms. Hua had worked for Yang Guang Xin Ye Real Property Co., Ltd. (陽光新業地產股份有限公司), a real estate development and management company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000608) and served as a vice president of commercial management department when she left. From May 2003 to March 2010, Ms. Hua worked at Verakin Group Company Ltd. (同景集團有限公司), a company primarily conducted real estate development, education, healthcare and tourism and served as board secretary and head of Beijing headquarter when she left. From October 2002 to April 2003, Ms. Hua served as an assistant to producer and program director at China Central Television. From September 1996 to June 2000, Ms. Hua worked at Daiko Pacific International Advertising Inc. (大廣太平洋國際廣告有限公司), an international advertising company, and she served as a creative director when she left.

Ms. Hua received her bachelor's degree in industrial design from Zhejiang University (浙江大學) in July 1996 and her master's degree in distributed computing system from the University of Greenwich in the U.K in June 2002.

Directors and Senior Management

SENIOR MANAGEMENT

For the biographies of Dr. Jinzi Jason WU and Mrs. Judy Hejingdao WU, please refer to “Directors – Executive Directors”.

Mr. John P. GARGIULO, aged 65, was appointed as the Chief Business Officer of the Group on May 15, 2022. Mr. John P. Gargiulo has over 32 years of successful experience in marketing strategies, business integration and commercial operations in global pharma/biotech industry. He has held various senior positions with increasing responsibility for 18 years at Daiichi Sankyo, where he made a transformative contribution in driving Daiichi Sankyo’s U.S. business from the very beginning to an established pharma when he served as North America President and CEO of Daiichi Sankyo.

Mr. Gargiulo earned a master’s degree in business administration and graduated as Fuqua Scholar from Fuqua School of Business, Duke University. He graduated magna cum laude from Boston College with a bachelor degree of economics.

Ms. (Helen) Yuemei YAN (言月梅), aged 55, was appointed as the Sales Director of the Group on November 8, 2016, she was appointed as Vice President of the Company in April 2018 and was appointed as Senior Vice President of Clinical Development and Operations of the Company in March 2021. Ms. Yan has over 19 years of experience in sales management. Prior to joining our Group, Ms. Yan served several roles at Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司) including sales managers and national sales director from November 2005 to October 2016, where she mainly in charge of sales for products of cardiovascular and virology therapeutic area. From June 2001 to October 2005, Ms. Yan served as Medicine Representative in Hangzhou Merck Sharp & Dohme Pharmaceuticals Limited (杭州默沙東製藥有限公司). From August 1988 to June 2001, Ms. Yan served as a nurse at Ningbo No. 1 Hospital (寧波市第一醫院). Ms. Yan obtained her master degree in business administration from Asia Metropolitan University in Malaysia in June 2018 and obtained her college degree in nursing from Zhejiang University (浙江大學) in the PRC in December 1999 through part-time study.

COMPANY SECRETARY

Mr. Ming Fai CHUNG (鍾明輝), was appointed as our company secretary on August 22, 2022. Mr. Chung currently served as a senior vice president of SWCS Corporate Service Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services. He has over 20 years of experience in corporate secretary, merges and acquisitions, financial reporting and auditing. Mr. Chung is currently a fellow of the Hong Kong Institute of certified Public Accountants and a member of CPA Australia. He obtained his bachelor’s degree in commerce from the Australian National University in December 2003.

Report of Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in research and development and production of pharmaceutical products.

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 14 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year, a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the sections headed "Financial Summary" on page 5 of this annual report, "Corporate Profile" on pages 6 to 7 and "Management Discussion and Analysis" on pages 8 to 26 of this annual report.

Environmental Policies and Performance

The Group is subject to national and local environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes in China. The Group has established detailed internal rules regarding environmental protection. The Group tests effluent water to ensure compliance with national emission standards. Solid waste is sorted for proper disposal. Hazardous waste is sent to qualified third parties for treatment. When a new construction project is proposed, the Group conducts comprehensive analysis and testing on the environmental issues involved in the manufacturing processes. The Group's production team and environment, health and safety department are primarily responsible for ensuring compliance with applicable environmental rules and regulations. All of the Group's properties, plants and equipment meet the standards required for compliance with applicable environmental rules and regulations, and the Group believes it has maintained a good relationship with the communities surrounding the Group's production facilities.

To the best knowledge of the Group, during the year ended December 31, 2024, the Group has complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the Reporting Period.



Report of Directors

BUSINESS REVIEW (Continued)

Compliance with Relevant Laws and Regulations

For the year ended December 31, 2024, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations which have significant impact on the Group. The Board and senior management within their respective duties in conjunction with internal and external professional advisors, monitored the Group's policies and practices on compliance with legal and regulatory requirements. Changes in the applicable laws, rules and regulations which have significant impact on the Group (if any) were brought to the attention of relevant employees and relevant operation units from time to time. During the Reporting Period, various works of the Board and senior management were in compliance with the relevant applicable laws and regulations, the Articles of Association of the Company, written terms of reference of the board committees, internal policies and the relevant provisions of various internal control systems. Decision-making process was legitimate and effective. Directors and senior management performed in a diligent and responsible manner and the resolutions of the board meetings were implemented faithfully. Meanwhile, the Company has timely performed its disclosure obligations which were in strict compliance with the requirements of the listing rules or manuals of the Hong Kong Stock Exchange.

In accordance with the requirements of the laws, regulations and related policies in China and relevant other jurisdictions in which the Group operates, the Group provides and maintains statutory benefits for its staff, including but not limited to pension schemes, mandatory provident funds, basic medical insurance, work injury insurance, etc. Further, the Group has been committed in complying relevant laws and regulations on work and occupational safety of employees of the Group. The Group has implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. Our employees responsible for manufacturing and quality control and assurance are required to hold relevant qualifications, as well as wear the proper safety gear when working. We conduct safety inspections for our manufacturing facility twice every month.

To the best knowledge of the Group, during the year ended December 31, 2024, there were no material breaches of the Group's internal rules or applicable laws and regulations relating to the operations of the Group and the Group has complied with all relevant rules and regulations that have significant impact on it.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of Group's workforce, the Group provide the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations during the Reporting Period.

Report of Directors

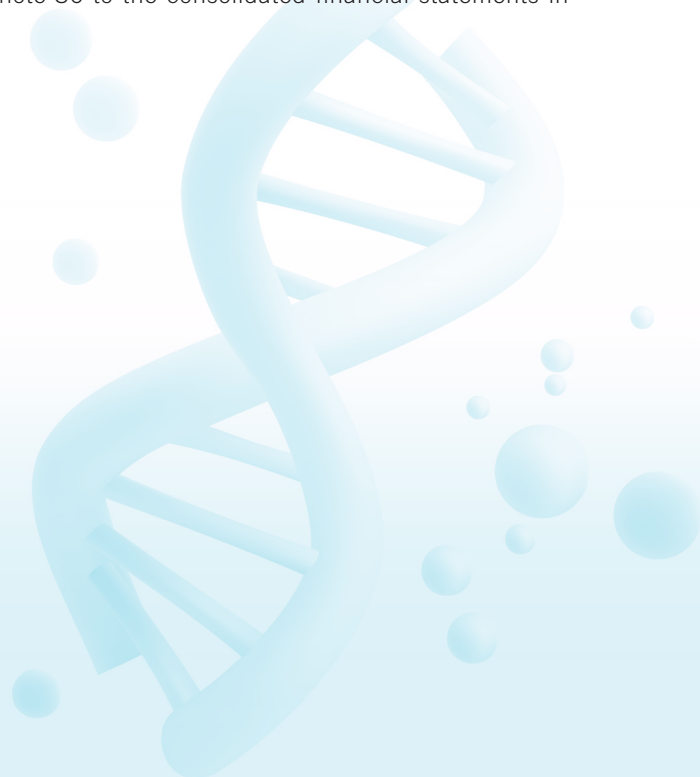
BUSINESS REVIEW (Continued)

Key Risks and Uncertainties and Risk Management

The Group is a biotechnology company listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. There are unique challenges, risks and uncertainties associated with companies such as our Company, including:

- we may be unable to obtain regulatory approval for our drug candidates;
- our financial prospects depend on the successful development and approval of our clinical-stage and pre-clinical stage product pipeline;
- our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success;
- we have in-licensed, and may continue to seek strategic alliances or enter into additional licensing arrangements in the future, a number of drug candidates for development and commercialization, which is subject to risks;
- we could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of our drug candidates; and
- we may be unable to attract and retain senior management and key scientific employees.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in identifying, evaluating and managing material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc, and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management. The Group's financial risk management and fair value of financial instruments are set out in note 30 to the consolidated financial statements in this annual report.



Report of Directors

DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report were:

Executive Directors

Dr. Jinzi Jason WU (*Chairman and Chief Executive Officer*)
Mrs. Judy Hejingdao WU (*Senior Vice President*)

Independent Non-executive Directors

Dr. Yizhen WEI
Mr. Jiong GU
Ms. Lin HUA

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 27 to 30 of this annual report.

Service Contracts of the Directors

Each of the executive Directors has entered into a renewed service contract with the Company with effective date commencing from May 24, 2024 for a term of three years since the effective date. Each of the independent non-executive Directors has entered into a renewed agreement of appointment with the Company with effective date of April 1, 2024 for a term of three years since the effective date.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

Employees and Remuneration Policies

A review of the employees and remuneration policies of the Group during the year are set out in the section headed "Management Discussion and Analysis" on pages 8 to 26 of this annual report.

Independence of Independent Non-Executive Directors

Each independent non-executive Director should inform the Company as soon as possible if there is any change of circumstances which may affect his/her independence. No such notification was received during the Reporting Period. The Company considers that all independent non-executive Directors are independent in accordance with the independence requirements set out in Rule 3.13 of the Listing Rules.

Report of Directors

NON-COMPETE UNDERTAKING

Our Controlling Shareholders, provided a non-compete undertaking in favour of the Group (the “**Non-compete Undertaking**”), pursuant to which our Controlling Shareholders undertook not to, and to procure their respective close associate(s) (other than our Group) not to, either directly or indirectly, compete with our principal business, which includes development and commercialization of innovative drugs against HCV, HIV, HBV, liver cancer and fatty liver unless with prior approval from non-related Directors and granted our Group the option for new business opportunities.

Our Controlling Shareholders have confirmed in writing to the Company of their compliance with the Non-compete Undertaking during the Reporting Period. No new business opportunity was informed by the Controlling Shareholders during the Reporting Period.

The independent non-executive Directors have reviewed the implementation of the Non-compete Undertaking based on the information and confirmation provided by or obtained from the Controlling Shareholders, and are of the view that the Non-compete Undertaking has been complied with by our Controlling Shareholders during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

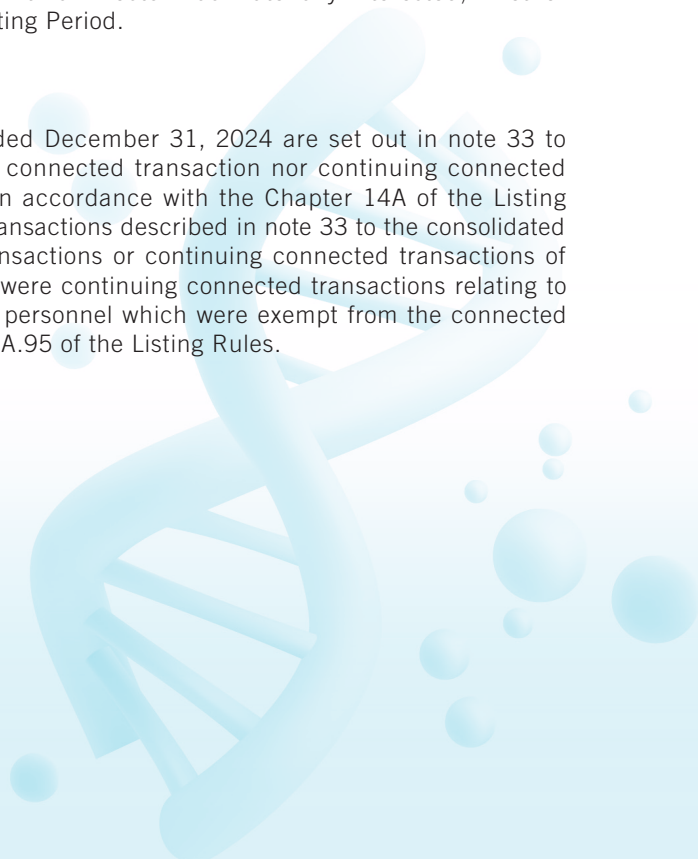
Save as disclosed in this annual report, as at December 31, 2024, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of the Reporting Period.

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2024 are set out in note 33 to the consolidated financial statements. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period. The related party transactions described in note 33 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Group under Chapter 14A of the Listing Rules; or were continuing connected transactions relating to the remunerations for Directors and key management personnel which were exempt from the connected transaction requirements under Rules 14A.76(1) or 14A.95 of the Listing Rules.



Report of Directors

DIRECTORS' 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 the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares ⁽¹⁾	Approximate percentage of shareholding interest ⁽²⁾
Dr. Wu	Interest in controlled corporation ⁽³⁾	514,393,664 (L)	50.79%
	Interest of spouse ⁽⁵⁾⁽⁶⁾	84,982,914 (L)	8.39%
	Beneficial owner ⁽⁴⁾	2,155,500 (L)	0.21%
	Other ⁽⁷⁾	41,692,000 (L)	4.12%
Mrs. Wu	Interest in controlled corporation ⁽⁵⁾	82,827,414 (L)	8.18%
	Interest of spouse ⁽³⁾⁽⁴⁾	516,549,164 (L)	51.00%
	Beneficial owner ⁽⁶⁾	2,155,500 (L)	0.21%
	Other ⁽⁷⁾	41,692,000 (L)	4.12%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The approximate percentage of shareholding interest in the Company is calculated based on the total number of 1,012,758,000 Shares in issue (including treasury shares) as at December 31, 2024.
- (3) 514,393,664 Shares were held by Dr. Wu through JJW12 Limited, a company incorporated in the BVI and wholly owned by Dr. Wu.
- (4) Include 1,155,500 Shares directly held by Dr. Wu and 1,000,000 underlying Shares held by Dr. Wu pursuant to the share options granted to him on January 3, 2024 under the Share Option Scheme.
- (5) 82,827,414 Shares were held by Lakemont Holding LLC. As at December 31, 2024, Lakemont Holding LLC was controlled by Lakemont Remainder Trust as to 45.95% and Northridge Trust as to 53.52%. Lakemont Remainder Trust and Northridge Trust (the "Family Trusts") are discretionary trusts that Mrs. Wu (the spouse of Dr. Wu) was the trustee of the Family Trusts who can exercise the voting rights in the Shares held by the Family Trusts and hence Mrs. Wu was a beneficiary of the Family Trusts. Mrs. Wu was the sole manager of Lakemont Holding LLC and the investment advisor of the Family Trusts.
- (6) Include 1,155,500 Shares directly held by Mrs. Wu and 1,000,000 underlying Shares held by Mrs. Wu pursuant to the share options granted to her on January 3, 2024 under the Share Option Scheme.
- (7) An aggregate of 41,692,000 Shares repurchased by the Company on the open market pursuant to the repurchase mandate passed by the Shareholders at the annual general meeting on May 23, 2024 were held by the Company as treasury shares as of December 31, 2024. Since JJW12 Limited controls one-third or more of the voting power at the general meetings of the Company, Dr. Wu (the controlling person of JJW12 Limited) and Mrs. Wu (spouse of Dr. Wu), are taken to have an interest in such 41,692,000 treasury shares of the Company under the SFO.

Save as disclosed above, as at December 31, 2024, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2024, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in shares or underlying shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares/underlying Shares ⁽¹⁾	Approximate percentage of Shareholding interest ⁽²⁾
JJW11 Limited ⁽³⁾	Beneficial owner	61,326,803 (L)	6.06%
JJW12 Limited ⁽⁴⁾	Beneficial owner	514,393,664 (L)	50.79%
	Other	41,692,000 (L)	4.12%
Lakemont Holding LLC ⁽⁵⁾	Beneficial owner	82,827,414 (L)	8.18%
C-Bridge Capital GP, Ltd. ⁽⁶⁾	Interest of controlled corporation	64,154,727 (L)	6.33%
Fu Wei ⁽⁶⁾	Interest of controlled corporation	64,154,727 (L)	6.33%
TF Capital II, Ltd. ⁽⁶⁾	Interest of controlled corporation	64,154,727 (L)	6.33%
TF Capital, Ltd. ⁽⁶⁾	Interest of controlled corporation	64,154,727 (L)	6.33%
Kang Hua Investment Company Limited ⁽⁷⁾	Interest of controlled corporation	105,463,060 (L)	10.41%
Yang Dan ⁽⁷⁾	Interest of controlled corporation	105,463,060 (L)	10.41%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The approximate percentage of shareholding interest in the Company is calculated based on the total number of 1,012,758,000 Shares in issue (including treasury shares) as at December 31, 2024.
- (3) JJW11 Limited was controlled by Ms. Heying YANG (楊荷英).
- (4) The 514,393,664 Shares were held by Dr. Wu through JJW12 Limited, a company incorporated in the BVI and wholly owned by Dr. Wu. Meanwhile, an aggregate of 41,692,000 Shares repurchased by the Company on the open market pursuant to the repurchase mandate passed by the Shareholders at the annual general meeting on May 23, 2024 were held by the Company as treasury shares as of December 31, 2024. Since JJW12 Limited controls one-third or more of the voting power at the general meetings of the Company. Accordingly, it is taken to have an interest in such 41,692,000 treasury shares of the Company under the SFO.
- (5) As at December 31, 2024, Lakemont Holding LLC was controlled by Lakemont Remainder Trust as to 45.95% and Northridge Trust as to 53.52%. The Family Trusts are discretionary trusts that Mrs. Wu (the spouse of Dr. Wu) was the trustee of the Family Trusts who can exercise the voting rights in the Shares held by the Family Trusts and hence Mrs. Wu was a beneficiary of the Family Trusts. Mrs. Wu was the sole manager of Lakemont Holding LLC and the investment advisor of the Family Trusts.
- (6) The 64,154,727 Shares were indirectly held by C-Bridge Capital GP, Ltd. which is owned as to approximately 38.34% and approximately 45.00% by TF Capital II, Ltd. and TF Capital, Ltd. respectively. Fu Wei indirectly owns approximately 47.83% of TF Capital II, Ltd.
- (7) The 105,463,060 Shares were indirectly held by Kang Hua Investment Company Limited which is wholly owned by Yang Dan.

Report of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Interests in shares or underlying shares of the Company (Continued)

Save as disclosed above, as at December 31, 2024, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to which the Company or any of its subsidiaries was a party during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2024, the Group's sales to its five largest customers accounted for 100.0% of the Group's total revenue, as compared to 99.4% of the Group's total revenue for the year ended December 31, 2023. The Group's sales to the largest customer accounted for 53.0% of the Group's total revenue for the year ended December 31, 2024, as compared to 55.4% of the Group's total revenue for the year ended December 31, 2023.

Major Suppliers

For the year ended December 31, 2024, the Group's five largest suppliers accounted for 35.7% of the Group's total purchase amounts, as compared to 32.3% of the Group's total purchase amounts for the year ended December 31, 2023. The Group's single largest supplier accounted for 11.6% of the Group's total purchase amounts for the year ended December 31, 2024, as compared to 11.1% of the Group's total purchase amounts for the year ended December 31, 2023.

During the year ended December 31, 2024, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended December 31, 2024.

Report of Directors

RESULTS AND DIVIDENDS

The Group's loss for the year ended December 31, 2024 and the Group's financial position at that date are set out in the consolidated financial statements on pages 114 to 119 of this annual report. The Board does not recommend any payment of final dividend for the year ended December 31, 2024. For further details, please see note 29 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 29 to the consolidated financial statements in this annual report.

The distributable reserves of the Company as at December 31, 2024 were RMB2,935.6 million (December 31, 2023: RMB2,994.6 million).

CHARITABLE DONATIONS

During the Reporting Period, the Group does not record any charitable and other donations (2023: RMB449,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the consolidated financial statements in this annual report.

USE OF PROCEEDS FROM LISTING

In connection with the Company's initial public offering, 224,137,000 ordinary shares of US\$0.0001 each were issued at a price of HK\$14.00 per share for a total cash consideration, before expenses, of approximately HK\$3,137,918,000 (equivalent to RMB2,730,284,000).

Change of Use of Proceeds

References are made to (i) the prospectus issued by the Company dated July 20, 2018 (the "**Prospectus**") in relation to the proposed use of proceeds from the Global Offering (the "**Proceeds**"); (ii) the announcement of the Company dated November 18, 2020 in relation to the change in the use of Proceeds; (iii) the announcement of the Company dated June 14, 2023 in relation to the change in the use of Proceeds; and (iv) the announcement of the Company dated September 23, 2024 in relation to the change in the use of Proceeds (the "**2024 Allocation**").

Report of Directors

USE OF PROCEEDS FROM LISTING (Continued)

Change of Use of Proceeds (Continued)

On March 26, 2025, the Board has resolved to further change the use of the unutilized Proceeds (the “2025 Allocation”). Set out below is a summary of the planned usage pursuant to the 2024 Allocation and the proposed changes in the use of the unutilized Proceeds.

Use of Proceeds	Allocation of Proceeds pursuant to the 2024 Allocation		Unutilized Proceeds as at December 31, 2024 (HK\$ million)	Proposed usage of the unutilized Proceeds pursuant to the 2025 Allocation	The unutilized amount pursuant to the 2025 Allocation		Expected timeframe for the use of utilized Proceeds after the 2025 Allocation
	(HK\$ million)	(%)			(HK\$ million)	(%)	
For supporting the R&D of new pipeline drug candidates	310.5	30.8	225.5	For supporting the R&D of pipeline products in metabolic diseases	505.0	63.6	The remaining amount is expected to be utilized in around three years from December 31, 2024
				For supporting the R&D of new pipeline drug candidates	147.4	18.6	
For continued R&D of pipeline products in oncology	140.6	13.9	124.2	For continued R&D of pipeline products in oncology	34.5	4.3	The remaining amount is expected to be utilized in around one year from December 31, 2024
For continued R&D of pipeline products in NASH/PBC	63.4	6.3	39.5	For continued R&D of pipeline products in MASH/PBC	25.0	3.2	The remaining amount is expected to be utilized in around one year from December 31, 2024
For continued R&D of ASC22, ASC11 and ASC10, and other pipeline products in viral hepatitis, HIV/AIDS and other viruses	340.2	33.7	339.3	For continued R&D of ASC22 and pipeline products in other virus diseases	3.2	0.4	The remaining amount is expected to be utilized in around one year from December 31, 2024
For the working capital and other general corporate purposes	99.4	9.9	10.6	For the working capital and other general corporate purposes	78.6	9.9	The remaining amount is expected to be utilized in around two years from December 31, 2024
For upfront and milestone payments of in-licensing new drug candidates	54.6	5.4	54.6	For upfront and milestone payments of in-licensing new drug candidates	-	-	
Total	1,008.7	100.0	793.7		793.7	100.0	

Report of Directors

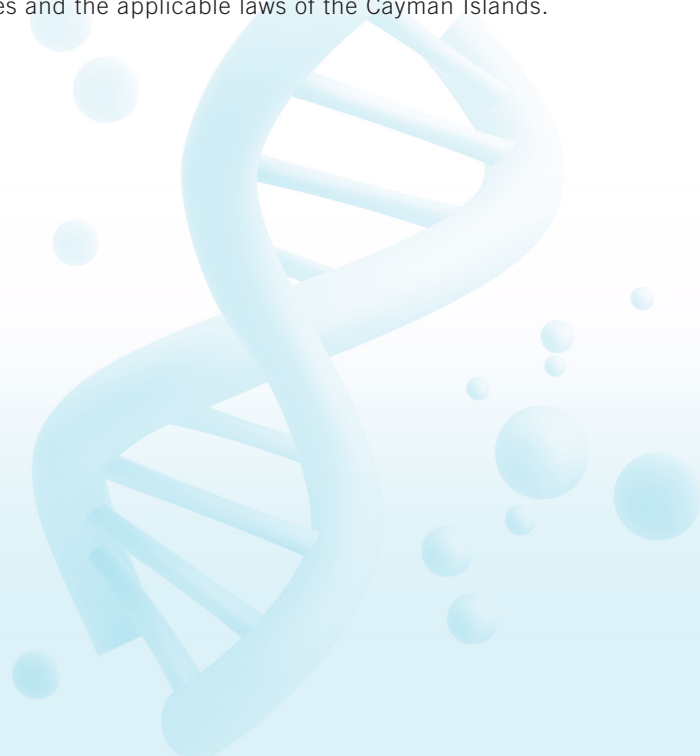
USE OF PROCEEDS FROM LISTING (Continued)

Reasons For and Benefits of the Change in the Use of Proceeds From the 2024 Allocation

As disclosed in the announcement dated September 23, 2024 in relation to the 2024 Allocation, approximately 30.8% of the revised net proceeds would be used for supporting the R&D of new pipeline drug candidates. Taking into account the latest progress in the Company's metabolic disease pipeline, the Company has resolved to allocate 82.2% of the unutilized Proceeds after the 2025 Allocation for the aforementioned purpose, among which (i) 63.6% of the unutilized Proceeds after the 2025 Allocation for supporting the R&D in metabolic diseases, and (ii) 18.6% of the unutilized Proceeds after the 2025 Allocation for supporting the R&D of new pipeline drug candidates. With reference to the Company's announcement dated March 12, 2025, the Company announced encouraging pharmacokinetic and weight loss data from its ASC47 Phase Ib single subcutaneous injection studies in Australia in healthy subjects with elevated LDL-C (Part I) and in patients with obesity (Part II). In addition, with reference to the Company's announcement dated February 19, 2025, the Company announced positive interim results from the first two cohorts of its randomized, double-blind, placebo-controlled Phase Ib MAD study, conducted in the U.S., of ASC30 oral once-daily tablet in patients with obesity BMI: 30-40 kg/m²). ASC30 is the first and only small molecule GLP-1R agonist that can be dosed once-monthly subcutaneously and once – daily orally to treat obesity. All of the aforementioned clinical trial progresses demonstrated the potential of the Company's obesity drug candidates. Therefore, the Company has resolved to reallocate 30.8% of the unutilized Proceeds after the 2024 Allocation for supporting the R&D in metabolic diseases, including ASC47 and ASC30. Such changes in the use of unutilized Proceeds after the 2024 Allocation were made in response to the emerging market opportunities and seize first-mover opportunities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 78,004,000 Shares on the Stock Exchange at an aggregate consideration of HK\$107,834,120. The repurchase was effected by the Board for the enhancement of shareholder value in the long term and provide more flexibility to the Board to resell the treasury shares on the market prices to raise additional funds for the Company, or transfer or use for share grants under share schemes that comply with Chapter 17 of the Listing Rules and for other purposes permitted under the Listing Rules, the Articles and the applicable laws of the Cayman Islands.



Report of Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY (Continued)

Particulars of the Shares repurchased during the Reporting Period are as follows:

Trading Month	Number and Method of Shares Repurchased	Purchase consideration per share		Aggregate consideration paid (HK\$)
		Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	
January 2024	21,813,000 on the Stock Exchange	1.76	1.24	31,854,080.00
February 2024	8,150,000 on the Stock Exchange	1.90	1.56	13,992,130.00
July 2024	11,468,000 on the Stock Exchange	1.22	0.90	12,740,040.00
September 2024	13,888,000 on the Stock Exchange	1.08	0.83	13,709,870.00
October 2024	12,559,000 on the Stock Exchange	1.47	1.23	17,103,080.00
November 2024	6,924,000 on the Stock Exchange	1.80	1.39	10,966,780.00
December 2024	3,202,000 on the Stock Exchange	3.14	1.56	7,468,140.00
Total	78,004,000			107,834,120

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities.

As at December 31, 2024, the Company holds 41,692,000 treasury shares and such treasury shares are used for 2025 Share Award Scheme of the Company, for details, please refer to the announcement and circular of the Company dated January 14, 2025 and January 15, 2025 respectively and the poll results announcement of the extraordinary general meeting of the Company dated February 3, 2025.



Report of Directors

EQUITY-LINKED AGREEMENTS

The Company has adopted the Share Option Scheme on June 6, 2019 and is subject to the requirements under Chapter 17 of the Listing Rules.

1. PURPOSE

The purpose of the Share Option Scheme is to provide incentive or reward to eligible person(s) (“**Eligible Person(s)**”) for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time.

2. WHO MAY JOIN

Eligible Persons include:

- (a) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest (“**Invested Entity**”);
- (b) any director (including executive, non-executive and independent non-executive directors) of the Group or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any advisory (professional or otherwise), consultant or agent that provides design, research, development or other technological support to any member of the Group or any Invested Entity; and
- (f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The basis of eligibility of any of the above classes of Eligible Persons to the grant of any share options of the Company (“**Option(s)**”) shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

3. DURATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for a period of 10 years and until June 5, 2029, after which period no further Options shall be granted. Pursuant to the ordinary resolutions passed by the Shareholders at EGM on February 3, 2025, the Share Option Scheme was terminated at the conclusion of the EGM and no Options shall be granted under the Share Option Scheme. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect. For details, please refer to the announcements of the Company dated January 14, 2025 and February 3, 2025 and the circular of the Company dated January 15, 2025.

Report of Directors

EQUITY-LINKED AGREEMENTS (Continued)

4. MAXIMUM NUMBER OF SHARES

At the time of adoption of the Share Option Scheme or any new share option scheme (the “**New Scheme**”), the aggregate number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the “**Existing Scheme(s)**”) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme or the New Scheme (as the case may be) (the “**Scheme Mandate Limit**”). For the purposes of calculating the Scheme Mandate Limit, Shares which are the subject matter of any Options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted. The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:

- (a) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as at the date of Shareholders’ approval of the refreshing of the Scheme Mandate Limit;
- (b) Options previously granted under any Existing Scheme(s) (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and
- (c) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time.

The Company may seek separate approval from the Shareholders in the general meeting for granting Options which will result in the Scheme Mandate Limit being exceeded, provided that:

- (a) the grant is to Eligible Persons specifically identified by the Company before the approval is sought; and
- (b) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must contain a generic description of the specified participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified participants with an explanation as to how the terms of the Options serve such purpose, and the information required under Rule 17.03C(3).

Notwithstanding the foregoing, the maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

Report of Directors

EQUITY-LINKED AGREEMENTS (Continued)

5. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON

No Option shall be granted to any Eligible Person (the “**Relevant Eligible Person**”) if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1% of the total number of Shares in issue at such time, unless:

- (a) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules in force from time to time, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his close associates (or his associates if the Relevant Eligible Person is a connected person) abstained from voting;
- (b) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must disclose the identity of the participant, the number and terms of the Options to be granted (and Options previously granted to such participant), the information required under Rule 17.03D(2); and
- (c) the number and terms (including the subscription price) of such Options are fixed before the general meeting of the Company at which the same are approved.

6. EXERCISE OF OPTION

The Share Option Scheme does not stipulate either a minimum period for which an Option must be held or any performance targets a grantee is required to achieve before an Option may be exercised. The Board may specify in the offer letter any conditions which must be satisfied before the Option may be exercised, including without limitation such performance targets (if any) and minimum periods for which an Option must be held before it can be exercised and any other terms in relation to the exercise of the Option, including without limitation such percentages of the Options that can be exercised during a certain period of time, as the Board may determine from time to time.

7. SUBSCRIPTION PRICE AND CONSIDERATION FOR THE OPTION

The price at which each Share subject to an Option may be subscribed for on the exercise of that Option (the “**Subscription Price**”) shall be a price solely determined by the Board and notified to an Eligible Person and shall be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, which must be a business day;
- (b) the average of the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of the Shares.

No consideration is required upon acceptance of the grant of Options.

During the year ended December 31, 2024, none share options were approved by the board under the Share Option Scheme and a total of 6,300,000 share options were granted.

Report of Directors

EQUITY-LINKED AGREEMENTS (Continued)

7. SUBSCRIPTION PRICE AND CONSIDERATION FOR THE OPTION (Continued)

Details of options granted, exercised, cancelled/lapsed and outstanding under the Share Option Scheme during the year are as follows:

Category of participants	Date of grant	Exercise price per Share (HK\$)	Closing price immediately before the date of grant (HK\$)	Exercise period	Balance as at January 1, 2024	Changes during the year				Balance as at December 31, 2024	Unvested Options as at January 1, 2024	Unvested Options as at December 31, 2024
						Granted	Exercised	Cancelled	Lapsed			
Eligible employees (five highest paid individuals excluded)	March 31, 2020	2.90	2.86	March 31, 2021 – March 30, 2030 (Note a)	885,789	-	-	-	-	885,789	354,318	177,158
	April 7, 2021	2.89	2.90	April 7, 2022 – April 6, 2031 (Note a)	400,000	-	-	400,000	-	-	-	-
	September 30, 2021	2.696	2.66	September 30, 2022 – September 29, 2031 (Note a)	440,000	-	-	40,000	-	400,000	240,000	160,000
	March 31, 2022	5.514	5.58	March 31, 2023 – March 30, 2032 (Note a)	100,000	-	-	100,000	-	-	80,000	-
	June 30, 2022	3.932	3.94	June 30, 2023 – June 29, 2032 (Note a)	100,000	-	-	-	-	100,000	80,000	60,000
	January 3, 2024 (Note b)	1.448	1.30	January 3, 2025 – January 2, 2034 (Note a)	-	4,100,000	-	400,000	-	3,700,000	-	3,700,000
Directors												
Dr. Jinzi Jason WU (One of the five Highest Paid Individuals)	January 3, 2024 (Note b)	1.448	1.30	January 3, 2025 – January 2, 2034 (Note a)	-	1,000,000	-	-	-	1,000,000	-	1,000,000
Mrs. Judy Hejingdao WU (One of the five Highest Paid Individuals)	January 3, 2024 (Note b)	1.448	1.30	January 3, 2025 – January 2, 2034 (Note a)	-	1,000,000	-	-	-	1,000,000	-	1,000,000
Five Highest Paid Individuals other than the Directors (Note b)	March 31, 2020	2.90	2.86	March 31, 2021 – March 30, 2030 (Note a)	1,181,052	-	-	-	-	1,181,052	472,421	236,210
	June 30, 2022	3.932	3.94	June 30, 2023 – June 29, 2032 (Note a)	2,000,000	-	-	-	-	2,000,000	1,600,000	1,200,000
	January 3, 2024 (Note b)	1.448	1.30	January 3, 2025 – January 2, 2034 (Note a)	-	200,000	-	-	-	200,000	-	200,000
					5,106,841	6,300,000	-	940,000	-	10,466,841	2,826,739	7,733,368

Report of Directors

EQUITY-LINKED AGREEMENTS (Continued)

7. SUBSCRIPTION PRICE AND CONSIDERATION FOR THE OPTION (Continued)

Note:

- (a) All options granted have a vesting period of five years in equal proportions starting from the 1st anniversary and become fully vested on the 5th anniversary of the grant. In this table, “**exercise period**” begins with the 1st anniversary of the grant date.
- (b) The fair value of the options granted during the Reporting Period was HK\$4,563,000, of which the Group recognized a share option expense of RMB1,710,000 during the period ended December 31, 2024. The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Expected volatility (%)	73.00
Risk-free interest rate (%)	3.36
Early exercise multiple	2.20-2.80
Weighted average share price (HK\$ per share)	1.30
Forfeiture rate (%)	0.00

The number of options available for grant under the scheme mandate was 92,055,345 as at December 31, 2024 (as at December 31, 2023: 98,355,345).

The number of shares that may be issued in respect of options granted under all schemes of the Company during the Reporting Period is 6,300,000, which represents 0.65% of the issued shares (excluding treasury shares) of the Company as at the date of this report.

The number of shares that may be issued in respect of share options granted under the Share Option Scheme during the Reporting Period divided by the weighted average number of issued shares for the Reporting Period was approximately 0.0063.

Save as disclosed above and in our Prospectus, there were neither Options granted, exercised, cancelled or lapsed under the Share Option Scheme nor other equity-linked agreements entered into by the Company or its subsidiaries during the year ended December 31, 2024.

Pursuant to the ordinary resolutions passed by the Shareholders at the EGM on February 3, 2025, the Share Option Scheme was terminated at the conclusion of the EGM and no Options shall be granted under the Share Option Scheme thereafter.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The Company will announce the date of the AGM and the period of closure of register of members in due course.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 49 to 62 of this annual report.

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

AUDITORS

The Company has appointed KPMG as the auditor of the Company for the year ended December 31, 2024. The financial statements of the Company for the year ended December 31, 2024 have been audited by KPMG.

The Board has appointed KPMG as the new auditor of the Company with effect from June 29, 2023, to fill the vacancy following the retirement of Ernst & Young. Save as disclosed above, there was no other change of auditors of the Company in the preceding three years.

EVENTS AFTER THE REPORTING PERIOD

On February 3, 2025, the Company adopted the 2025 share option scheme and the 2025 share award scheme, and terminated existing share option scheme adopted by the Company on June 6, 2019 pursuant to the ordinary resolutions passed by the Shareholders at the extraordinary general meeting. On the same date, 4,820,175 share options and 5,784,210 share awards were granted under the 2025 share option scheme and 2025 share award scheme, respectively, to a senior management of the Company. The particulars of the two newly adopted schemes and movements of the granted share options and share awards will be disclosed by the Company in its interim report for the financial year of 2025. For details, please refer to the circular of the Company dated January 15, 2025 and announcements of the Company dated January 14, 2025 and February 3, 2025.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By order of the Board
Ascletis Pharma Inc.
歌禮製藥有限公司
Jinzi Jason WU
Chairman

Hong Kong, the People's Republic of China,
March 26, 2025

Corporate Governance Report

CORPORATE MISSION, VALUE AND CULTURE

Innovative Cures Liberate Life to the Fullest

Ascletis' vision is to become the most innovative world-class biomedical company. Led by a management team with deep expertise and a proven track record, Ascletis is focused on metabolic diseases by addressing unmet medical needs from a global perspective. Ascletis has multiple clinical stage drug candidates in its metabolic disease pipeline.

Integrity, Courage, Excellence, Collaboration

Our values guide us on how we do business and how we work together internally, and externally with our domestic and global partners to achieve our goals on integrity, courage, excellence, collaboration. Our greatest assets are our employees. Ascletis is an equal opportunity employer and focused on providing a positive work environment where courageous innovation is encouraged and expected. We offer competitive salaries and benefits that reward employees for their contribution to the Group. We emphasize and promote values of acting lawfully, ethically and responsibly within our Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for a deviation from the code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Wu. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period and to the date of this report. No incident of non-compliance with the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

The Board should regularly review the contribution required for a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

The Board of the Company currently comprises the following Directors:

Executive Directors

Dr. Jinzi Jason WU (*Chairman and Chief Executive Officer*)^(Note)

Mrs. Judy Hejingdao WU (*Senior Vice President*)^(Note)

Independent Non-executive Directors

Dr. Yizhen WEI

Mr. Jiong GU

Ms. Lin HUA

Note: Dr. Wu and Mrs. Wu are spouses.

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” on pages 27 to 30 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed above, the Directors do not have any other financial, business, family or other material/relevant relationships with one another.

Board Meetings and Directors’ Attendance Records

Code provision C.5.1 of part 2 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

During the Reporting Period the Company convened one general meeting and the Board convened five Board meetings and the attendances of Board meetings and general meeting are listed below:

Name of Directors	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Dr. Jinzi Jason WU	5/5	1/1
Mrs. Judy Hejingdao WU	5/5	1/1
Dr. Yizhen WEI	5/5	1/1
Mr. Jiong GU	5/5	1/1
Ms. Lin HUA	5/5	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive director during the year.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

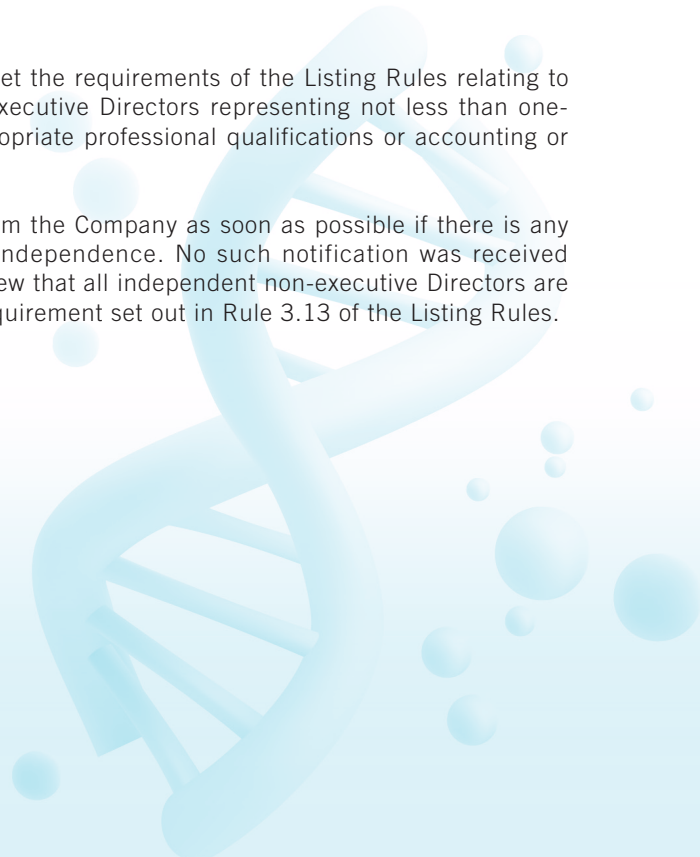
Code provision C.2.1 of part 2 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

In view of Dr. Wu's experience, personal profile and his roles in our Group as mentioned above and that Dr. Wu has assumed the role of chief executive officer of our Group since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Group that, Dr. Wu acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this deviates from code provision C.2.1 of part 2 of the CG Code as set out in Appendix C1 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors and that our Board comprises three independent non-executive Directors out of five Directors, which is more than half of the Board composition and the Listing Rules requirement of one-third, and we believe that there is sufficient check and balance in the Board; (ii) Dr. Wu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and the Shareholders as a whole and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each independent non-executive Director should inform the Company as soon as possible if there is any change of circumstances which may affect his/her independence. No such notification was received during the Reporting Period. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence requirement set out in Rule 3.13 of the Listing Rules.



Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by Shareholders at the next first annual general meeting of the Company after their appointments.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association.

Responsibilities of the Directors

The Board should 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 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 judgment on corporate actions and operations.

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

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 coordinating the daily operation and management of the Company are delegated to the management.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

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 they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored 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. Besides, meetings with senior management of the Company were also arranged.

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 2 training sessions on the compliance requirements regarding Compliance requirements for combating money laundering and terrorist fundraising conducted by SWCS Corporate Services Group (Hong Kong) Limited and Listing Rules regarding treasury shares conducted by Kirkland & Ellis International LLP, for all the Directors. In addition, relevant reading materials including directors' manual, legal and regulatory updates and seminar handouts have been provided to the directors for their reference and studying. They also received from the Company from time-to-time updates on laws, rules and regulations which may be relevant to their roles, duties and functions as director of a listed company. The table below summarizes the participation of each of the Directors in continuous professional development during the Reporting Period:

Name of Directors	Attending training session	Reading Legal and Regulatory Updates and other Reference Materials
Executive Directors		
Dr. Jinzi Jason WU	√	√
Mrs. Judy Hejingdao WU	√	√
Independent Non-executive Directors		
Dr. Yizhen WEI	√	√
Mr. Jiong GU	√	√
Ms. Lin HUA	√	√

Corporate Governance Report

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of the Remuneration Committee, Audit Committee and Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Jiong GU, Dr. Yizhen WEI and Ms. Lin HUA. Mr. Jiong GU, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, assist the Board to fulfill its responsibility over the audit, and review and approve connected transactions and to advise the Board.

The Audit Committee is also responsible for performing the functions set out in code provision A.2.1 of part 2 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Company's compliance with the CG Code from time to time and the disclosure in the corporate governance report to be contained in the Company's annual report.

The Audit Committee held four meetings during the Reporting Period to review and consider the interim financial results and reports for the six months ended June 30, 2024, the annual financial results and reports for the year ended December 31, 2023, review the compliance of the CG Code and review the appropriateness and effectiveness of the risk management and internal control systems.

The Audit Committee also met the external auditors four times during the Reporting Period without the presence of the executive Directors.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The attendance records of the members of the Audit Committee are as follows:

Name of Directors	Attendance/ Number of Meeting(s)
Mr. Jiong GU (<i>Chairman</i>)	4/4
Dr. Yizhen WEI	4/4
Ms. Lin HUA	4/4

The Company's annual results for the year ended December 31, 2024 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of three Directors, namely Ms. Lin HUA, Dr. Yizhen WEI and Mrs. Judy Hejingdao WU. Ms. Lin HUA is the chairman of the committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

The Remuneration Committee held three meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management of the Company, assessing performance of executive Directors and senior management of the Company, and other related matters. The discretionary year-end performance bonus of executive Directors was based on their performance appraisal results in accordance with the Company's remuneration policy.

The Company granted share options to 2 Directors and 37 employee participants (as defined in the Listing Rules) under the Share Option Scheme on January 3, 2024. The Remuneration Committee considered appropriate for the Company to grant share options to the Directors and senior management of the Group with a vesting period less than 12 months as set out in rule 17.03(F) and without performance targets and clawback mechanism applied to the share options granted to the Directors and senior management of the Group. The Remuneration Committee was aware that the purposes of the Share Option Scheme were, including but not limited to, provide incentive or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Having considered that (i) the Directors of the Group contributed directly to the overall business performance of the Group; and (ii) the grant of options was a recognition of their respective past contributions to the Group, the Remuneration Committee was of the view that the grant of share options to the Group's directors on January 3, 2024 would be in line with the purposes of the Share Option Scheme. Save as disclosed above, no material matters relating to share scheme under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Reporting Period.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

Pursuant to code provision E.1.5 of part 2 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2024 is as follows:

	Number of employee(s)
HK\$1,000,001 to HK\$1,500,000	1
HK\$2,500,001 to HK\$3,000,000	1
HK\$4,500,001 to HK\$5,000,000	1

Details of the Directors' remuneration are set out in note 8 to the consolidated financial statements in this annual report.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance/ Number of Meeting(s)
Ms. Lin HUA (<i>Chairman</i>)	3/3
Dr. Yizhen WEI	3/3
Mrs. Judy Hejingdao WU	3/3

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Jinzi Jason WU, Dr. Yizhen WEI and Ms. Lin HUA. Dr. Jinzi Jason WU is the chairman of the committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) on December 27, 2018. A summary of the Board Diversity Policy is set out below:

Purpose:	The Board Diversity Policy aims to set out the approach to achieve diversity of the Board.
Board Diversity Policy statement:	With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.
Measurable Objectives:	Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As of December 31, 2024, two out of five members of our Board were female Directors. The Nomination Committee has reviewed the Board Diversity Policy during the year and believed that the Board Diversity Policy was still appropriate and effective. The Nomination Committee was satisfied with the current gender diversity of our Board.

As of December 31, 2024, the ratio of male and female employees (including senior management) of the Company was 51.95% and 48.05% respectively. The Board was satisfied with the current gender diversity across the workforce (including senior management) of the Group.

The Nomination Committee has adopted a nomination policy which set out a set of nomination procedures and selection criteria for directors. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company’s business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates for independent directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board.

The Nomination Committee held one meeting during the Reporting Period to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of our Company, to review the existing director nomination policy and the director succession plans, to assess the independence of the independent non-executive Directors, and to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2024 AGM of the Company.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance/ Number of Meeting(s)
Dr. Jinzi Jason WU (<i>Chairman</i>)	1/1
Dr. Yizhen WEI	1/1
Dr. Lin HUA	1/1

MECHANISM FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

The Company has established a mechanism for the Board to obtain independent views and opinions (including but not limited to the Articles of Association, terms of reference of Board committees) to ensure the Board has an independent element as a key measure to improve the efficiency of the Board. The mechanism covers the channels for the Directors to seek advice from external professional advisors; the right for Directors to obtain further information and documents from the management in connection with the matters to be discussed at the Board meetings; the procedures and criteria for election of Directors (including independent non-executive Directors); and the number of independent non-executive Directors and their time commitments and contributions to the Board. The Board has reviewed the implementation and effectiveness of the mechanism and believed that the mechanism can ensure the Board to obtain the independent views and opinions.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls. 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.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. The Group's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. Each department of the Group is also required to adhere strictly to the Group's internal control procedures and report to the risk management and internal control team of any risks or internal control issues. The Group would conduct self-assessment each year to confirm that all departments and the Group have properly complied with the risk management and internal control policy.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The Group has established an internal audit department, which carries out analysis and independent appraisal of relevant internal policies, including risk management and internal control policies to assess operating risks and identify measures to minimize those risks; monitors and assesses the adequacy and effectiveness of the risk management system and internal control system of the Group regularly, including the financial, operational and compliance controls; and reports to the Audit Committee and the Board on the internal audit results regularly and makes recommendations to the Board and the management to address the significant deficiencies of the internal control system or problems that identified during the monitoring process.

Any internal control defects identified by the internal audit department will be communicated to the department in question with advice for correction and remediation. Before the end of the year, the status will be reviewed. The compliance department will also assist in the correction and remediation. Any unresolved internal control defects at the end of the year will be informed to the management. For the year ended December 31, 2024, no material internal control defect was detected.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group. The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be led by the Board. Unless duly authorized, all staff members of the Company shall not disseminate inside information relating to the Group to any external parties and shall not respond to media report or market speculation which may materially affect the trading price or volume of the Shares.

During the year ended December 31, 2024, the Board, as supported by the Audit Committee as well as the management and internal audit department of the Group, reviewed the risk management and internal control systems of the Group and considered that such systems are effective and adequate. The Audit Committee has reviewed and considered that the internal audit department of the Group had adequate resources to carry out the assessment and the effectiveness of the risk management and internal control systems for the Reporting Period. The annual review also covered the financial reporting and staff qualifications, experience and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 109 to 113 of this annual report.

Corporate Governance Report

DIVIDEND POLICY

The Company has adopted a dividend policy on December 27, 2018 which is in accordance with the relevant provisions of the Articles of Association. Pursuant to the dividend policy, the Company may from time to time in general meeting declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company.

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. The Board may also pay half-yearly or at other suitable intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit. Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In case of the Board elects to pay the dividend in shares, the Company shall abide by the provisions of the Articles of Association on scrip dividends.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended December 31, 2024 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Services	1,800
Non-audit Services	-
TOTAL	1,800

Corporate Governance Report

COMPANY SECRETARY

The Company has engaged SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, and Mr. Ming Fai CHUNG has been appointed as the company secretary of the Company. Its primary contact person at the Company is Ms. Lingjie JIANG, president office manager of the Company.

During the Reporting Period, Mr. Ming Fai CHUNG attended sufficient professional training as required under the Listing Rules for the year ended December 31, 2024 to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings shall also be convened, and/or the proposed resolution(s) shall be added to a meeting agenda on the written requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per Share basis in the share capital of the Company. Such requisition (and resolutions to a meeting agenda, as applicable) shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Act for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person other than a Retiring Director for Election as a Director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

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

Corporate Governance Report

CONTACT DETAILS

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

Address: 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

Email: ir@ascletis.com

For the avoidance of doubt, Shareholder(s) 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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company 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, Shareholders have the right to speak and the Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company maintains a website at www.ascletis.com as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access. During the Reporting Period, the Board has reviewed the shareholders communication policy and confirmed its effectiveness.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there is no change in the Company's constitutional documents.



Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance (the “**ESG**”) Report (the “**Report**”) aims to present the environmental, social and governance performance of Ascletris Pharma Inc. (hereinafter the “**Ascletris**” or the “**Company**”) and its subsidiaries (collectively the “**Group**” or “**we**”) during the year of 2024. This is the seventh ESG Report published by Ascletris.

Basis for Preparation

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**Guide**”) as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with scope and contents that comply with the mandatory disclosure requirements and “**comply or explain**” provisions of the Guide. The Report has followed the four Reporting Principles of Materiality, Quantitative, Balance and Consistency stated in the Guide.

Materiality: The Report has evaluated and presented all the material environmental, social and governance issues. We also presented the process of materiality assessment and the results of stakeholders’ engagement.

Quantitative: The statistical standards, methodologies, calculation tools as well as the sources of conversion factors for calculating the key performance indicators (“**KPIs**”) in the Report, are described in the report definition.

Balance: The Group has presented all the unbiased data and information, preventing all the omission, selection or presentation formation that may inappropriately influence a decision or judgment.

Consistency: The Report has adopted, as far as practical, the same data statistical and collection methodologies as those applied for the previous reporting period to provide meaningful comparisons of our performance during the reporting period for all stakeholders. Changes to the methodologies will be presented and detailed in the corresponding chapters by the Group.

Reporting Period and Scope

The content of the Report mainly focuses on the core businesses of the Group, embodies the Group’s fulfillment of ESG principles from 1 January 2024 to 31 December 2024 (the “**Year**” or the “**Reporting Period**”). Unless otherwise specified, the Report covers the directly controlled businesses.

Languages for the Report

The Report is available in both Chinese and English. If there are inconsistencies between the English and Chinese versions, the English version shall prevail.

Report Approval

The Board of Directors (the “**Board**”) has approved the Report on March 26, 2025.

Environmental, Social and Governance Report

Report Publications

The report is available online. The online edition of the Report is available for review and downloading at the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the official website of the Group (www.ascletis.com).

Contact Details

Shareholders may send their inquiries to the following:

40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

Email: ir@ascletis.com

GOVERNANCE SYSTEM

About the Group

Ascletis is an innovative R&D driven biotech listed on the Hong Kong Stock Exchange, covering the entire value chain from discovery and development to GMP manufacturing. Led by a management team with deep expertise and a proven track record, Ascletis is focused on metabolic diseases by addressing unmet medical needs from a global perspective. Ascletis has multiple clinical stage drug candidates in its metabolic disease pipeline.

Corporate Culture

The Group establishes our corporate culture to show our devotion to fulfilling Corporate Social Responsibility (“**CSR**”) and to drive the success of our business development sustainably. Our mission, vision and core values guide us in driving the sustainable growth of our business and how we work together with our domestic and global partners in adhering to the concept of CSR.

Mission

- Innovative cures liberate life to the fullest

Vision

- To become the most innovative world-class biomedical company

Core values

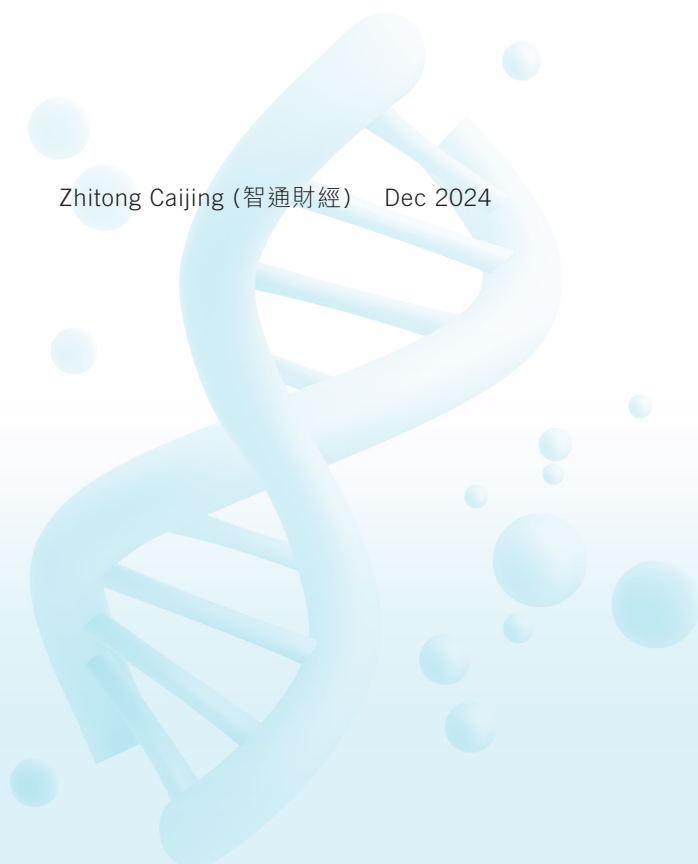
- Integrity, Courage, Excellence, Collaboration

Environmental, Social and Governance Report

Awards and Honors of the Year

The innovative and outstanding performance of the Group in research and developing new drugs is highly recognized by various organizations and media. In 2024, we won several awards and honors given our contribution and influence in the industry. Our awards and honors received in 2024 are listed below.

Awards and Honors	Awarded Entity	Awarded by	Awarding Time
Top Ten Innovative Technology Companies of 2023 (2023 年度科技創新一十強企業)	Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司)	The Working Committee of Xiaoshan Economic and Technological Development Zone of the CPC (中共蕭山經濟技術開發區工作委員會)、The Management Committee of Xiaoshan Economic and Technological Development Zone (蕭山經濟技術開發區管理委員會)	February 2024
2023 Annual List of China's Top 100 Innovative Biopharmaceutical Companies-2023 Top 30 Innovative Small Molecule Drug Companies in China (2023 年度中國生物醫藥企業創新力百強系列榜單-2023 年度中國小分子藥物企業創新力 Top 30 排行榜)	Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司)	MENET (米內網)	June 2024
The 9th Zhitong Caijing Listed Companies – Best Mid-Small Cap Company (第九屆智通財經上市公司評選 – 最佳中小市值公司)	Ascletis Pharma Inc. (歌禮製藥有限公司)	Zhitong Caijing (智通財經)	Dec 2024

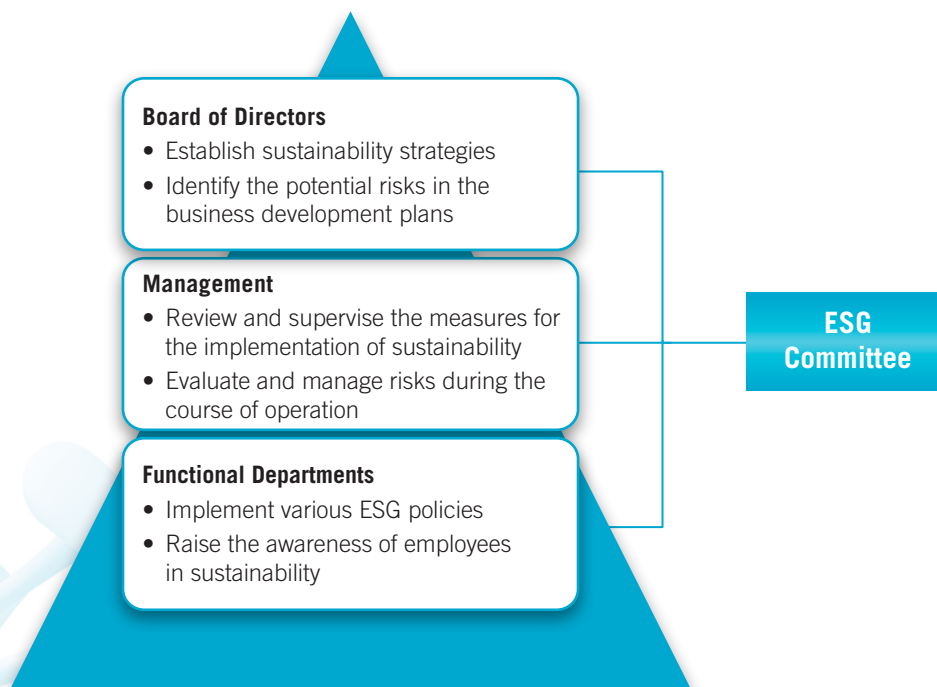


Environmental, Social and Governance Report

ESG Structure

While developing our innovative drugs, we devote ourselves to driving our success in CSR. We have established the ESG committee since 2018 to better identify and manage relevant risks in ESG and drive the efficient implementation of various ESG policies across the various departments. Ascleitis makes an effort to incorporate the ideas of sustainable development into the overall strategy, policy and business plans of the Group.

The Board of Directors of the Group takes full responsibility for ESG strategies and reporting and leads the ESG Committee. The ESG Committee is responsible for coordinating and determining the ESG risk management and internal monitoring systems within the Group, which is comprised of the executive directors, the person-in-charge of ESG and representatives from all major departments of the Group.



ESG Structure

Environmental, Social and Governance Report

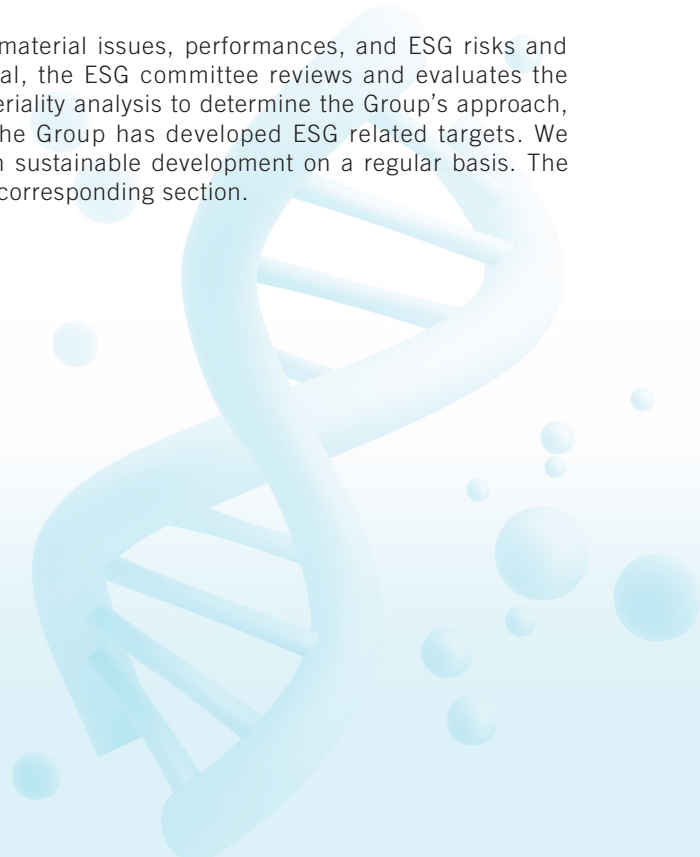
The major responsibilities of the ESG Committee are clearly stated in the rules governing the ESG Committee which include:

- Identifying the ESG issues that have a significant impact on our operations, shareholders and other major stakeholders of the Group, including but not limited to the quality of the working environment, environmental protection, operating practices, community activities and welfare, as well as developing corresponding control initiatives;
- Identifying stakeholders' major ESG concerns in appropriate ways and responding in a timely manner;
- Preparing the annual working report of the Committee and submitting it to the Chairman for the Group's ESG performance improvements;
- Responsible for formulating and refining the Group's ESG policies and promoting implementation across all departments;
- Ensuring that the Group complies with the relevant legal and regulatory requirements so that it can monitor and respond to the latest ESG policies and issues;
- Maintaining the operation of the Group's management system for social responsibility and raising the social awareness of employees.

Board's Review on ESG Targets and Related Progress

The Board cares about and has responsibility for the ESG progress of the Group. The ESG committee of the Group executes ESG works to meet the targets set by the Board. The Board oversees and assesses the performances of the ESG works of the Group through the ESG Committee.

The Board is responsible for regularly reviewing the material issues, performances, and ESG risks and opportunities of the Group. With the Board's approval, the ESG committee reviews and evaluates the concerns and interests of stakeholders through a materiality analysis to determine the Group's approach, strategy, goals, and targets for ESG management. The Group has developed ESG related targets. We evaluate our progress toward the targets and work on sustainable development on a regular basis. The progress of relevant targets has been disclosed in the corresponding section.



Environmental, Social and Governance Report

Sustainable Development Policy

To enhance our performance and measures in environmental and social aspects and exhibit our devotion to providing sustainable development services, the Group develops a Sustainable Development Policy. This policy integrates the concept of sustainable development into our business decision making and daily operations. It covers our sustainable development management approach towards five aspects, including environmental management, operational practices, employee rights, community investment and stakeholder engagement. To ensure the implementation of this policy properly, our ESG Committee continues to monitor and review the actual execution status of this policy and the implementation progress of each sustainable development measure. Our ESG Committee is responsible for assessing the environmental and social impact of the Group's business operations and setting sustainable development goals to continuously improve our sustainability performance and minimize potential negative impacts on the environment and society. Through various internal communication channels and the ESG Report published each year, we disseminate the information related to this policy to our employees and external stakeholders and report our environmental and social performance.



Environmental, Social and Governance Report

Managing Corruption Risks and Promoting Integrity

The Group is highly concerned about operation compliance, managing corruption risks and promoting integrity. We are committed to complying with the relevant laws and regulations of the places where we operate, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). We have established Anti-Corruption Policy (《反腐敗政策》), Expense Reimbursement Management System (《費用報銷管理制度》) and Staff Handbook (《員工手冊》) to ensure strict compliance with the relevant laws and regulations by all of our employees and agents. We prohibit any payment to government officials by our employees and agents for obtaining or retaining business or products. We require all companies that have significant business relations with us to sign the Anti-bribery Commitments (《反賄賂承諾》) to ensure that key business partners comply with our anti-corruption and anti-bribery requirements.

We implement a zero-tolerance policy towards any illegal acts such as bribery, blackmail, fraud and money laundering to prevent business corruption. The Board and the key employees have attended the anti-corruption training in the Year. The Board participated in online training regarding compliance requirements for combating money laundering and terrorist financing, or anti bribery management system. Employees participated online anti-corruption training, which included topics such as anti-bribery, anti-money laundering, and reporting methods.

We have stipulated the Anti-fraud Whistleblowing Management Regulation (《反舞弊舉報管理制度》). Employees or any third parties can report through the e-mail address or phone on any illegal acts such as money laundering, discrimination, harassment, environmental damage, fraud and corruption. We also keep the whistleblower's identity confidential so that whistleblowers will not be retaliated against for reporting. During the Year, to our best knowledge, there was no record of illegal acts such as corruption, bribery, fraud and money laundering involving the Group or our employees.

Stakeholder Engagement

The Group acknowledges the importance of understanding the expectations and needs of various stakeholders, including shareholders and investors, government and regulatory bodies, customers, employees, suppliers, the community, media, business partners and the public, in achieving our success. The Group considers that effective communication with stakeholders is essential and endeavors to maintain ongoing and proactive dialogues with stakeholders. The main communication channels of our key stakeholders are as follows.

Key Stakeholders

Shareholders and Investors

Expectations and needs

- Compliant and sound operation
- Good return on investment
- Effective risk management
- Protection of intellectual property right

Main communication channels

- General meetings
- Interim and annual report
- Corporate communications
- Results announcements
- Shareholders' visits
- Investor meetings
- Senior management meetings
- Conferences

Environmental, Social and Governance Report

Key Stakeholders

Government and Regulatory Bodies

Expectations and needs

- Facilitating economic development
- Supporting communities and livelihood
- Efficient corporate governance
- Resources utilization
- Waste management

Main communication channels

- Conferences
- Forums
- Pharmaceutical development policy consultations
- Communications with the medical department
- Compliance reports

Customers

- Quality control
- Protection of customers' safety
- Protection of customers' privacy

- Daily operation/communications
- Company website
- Email and hotline of the Company

Employees

- Job stability
- Benefits and remuneration
- Safe working environment
- Career progression

- Staff opinion surveys
- Performance assessment and discussions
- Channels for staff to express opinions
- Group discussions
- Business briefings
- Community activities
- Seminars/workshops/meetings
- Staff communication meetings
- Staff intranet

Suppliers

- Fair procurement

- Supplier management procedures
- Regular meetings
- Conferences
- On-site visits
- Supplier assessment system

Community and the Public

- Promoting social harmony
- Supporting charitable activities
- Promoting energy conservation and emission reduction

- Community activities
- Seminars/workshops/meetings

Pharmaceutical industry peers and business partners

- Enhancing business co-operations
- Facilitating economic development
- Supporting pharmaceutical development

- Strategic partnership projects
- Seminars and exchange meetings
- Corporate notices

Media

- Promoting information transfer

- Press releases
- Senior management interviews
- Results announcements

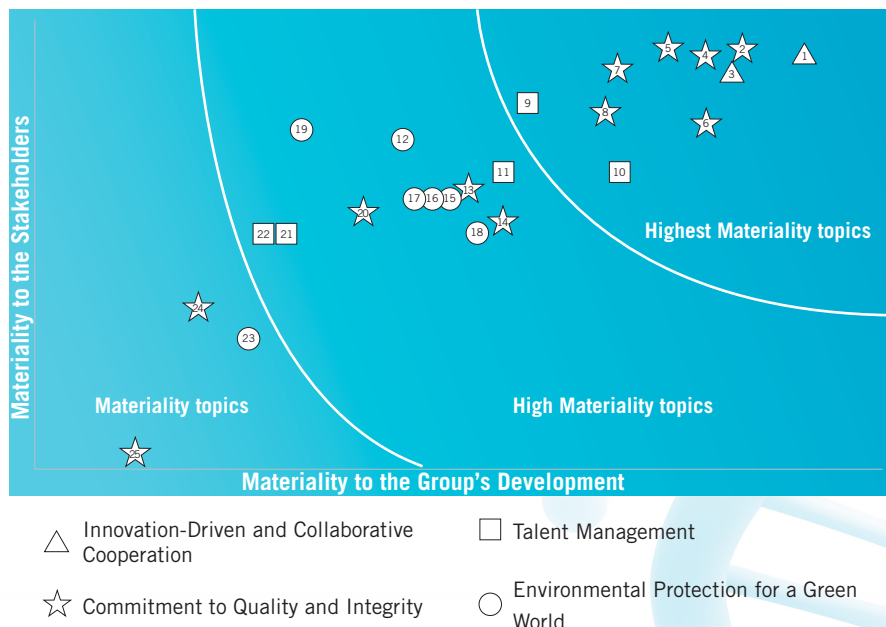
Environmental, Social and Governance Report

Materiality Assessment

Ascletris recently reviewed and validated its materiality assessment. Given that the Company’s business scope¹ and stakeholder composition have remained stable, there have been no significant changes in the impact of the Company’s business activities on stakeholders, nor in the impact of stakeholders on the Company’s business.

Furthermore, ongoing evaluations confirm that there have been no significant updates or changes to the requirements for materiality assessment in ESG reporting. Therefore, the Company believes that the previously identified material topics remain applicable. After careful discussion, the Board has resolved to continue using the existing materiality assessment results for the current reporting period.

We identified 25 potential ESG material topics and classified them into three materiality levels: highest materiality, high materiality and materiality. Topics and their materiality are listed in graphs and tables below.



¹ Although Ascletris is not currently engaged in commercialization, the company still focuses on research and development.

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Highest materiality topics:

ESG related topic	Category
1 Innovative R&D	Innovation-Driven and Collaborative Cooperation
2 Production safety assurance	Commitment to Quality and Integrity
3 Protection of intellectual property	Innovation-Driven and Collaborative Cooperation
4 Product quality management	Commitment to Quality and Integrity
5 Compliance operation	Commitment to Quality and Integrity
6 Protection of patients' interests	Commitment to Quality and Integrity
7 Production safety management	Commitment to Quality and Integrity
8 Risk management	Commitment to Quality and Integrity
9 Employees' health and safety	Talent Management
10 Training and development of employees	Talent Management

High materiality topics:

ESG related topic	Category
11 Employees' rights	Talent Management
12 Reduction in pollutant emissions	Environmental Protection for a Green World
13 Anti-corruption	Commitment to Quality and Integrity
14 Supply chain management	Commitment to Quality and Integrity
15 Waste management	Environmental Protection for a Green World
16 Water resources management	Environmental Protection for a Green World
17 Energy saving	Environmental Protection for a Green World
18 Protection of environment and natural resources	Environmental Protection for a Green World
19 Greenhouse gas emissions	Environmental Protection for a Green World
20 Customer service and communication	Commitment to Quality and Integrity
21 Employment equality	Talent Management
22 Prevention of child and forced labour	Talent Management

Materiality topics:

ESG related topic	Category
23 Climate change mitigation	Environmental Protection for a Green World
24 Monitoring on product information and advertising	Commitment to Quality and Integrity
25 Participating in charity	Commitment to Quality and Integrity

From the above results of the materiality matrix, Ascletois works out our direction in ESG report disclosures, consisting of "Innovation-Driven and Collaborative Cooperation", "Commitment to Quality and Integrity", "Talent Management" and "Environmental Protection for a Green World". This report will focus on these four aspects to reflect our focuses and contributions to ESG.

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INNOVATION-DRIVEN AND COLLABORATIVE COOPERATION

Innovative R&D Activities

Ascletis is focused on metabolic diseases by addressing unmet medical needs from a global perspective. Ascletis has multiple clinical stage drug candidates in its metabolic disease pipelines, including the ASC30 oral once-daily tablet for obesity, ASC30 once-monthly or less frequent SQ injection for obesity and ASC47 once-monthly or less frequent SQ injection for muscle preserving obesity treatment and will continuously explore new therapeutic areas.

Regarding the ASC30 oral once-daily tablet for obesity, the preliminary data of efficacy and safety has demonstrated strong competitiveness of ASC30 oral once-daily tablet for obesity on a global basis. Besides, it demonstrated potential best-in-class characteristics to treat patients with obesity, evidenced by mean body weight reductions from baselines of up to 6.3% after a 28-day treatment. It will initiate a 13-week Phase IIa clinical study in the U.S. in 2025.

In terms of ASC30 once-monthly or less frequent SQ injection for obesity, it demonstrated potential first-in-class characteristics, as a small molecule GLP-1R agonist against a validated target, to treat patients with obesity. A single dose of ASC30 SQ injection demonstrated sustained and favorable weight loss over one month compared to six weekly doses of an antibody-peptide conjugate. The interim data are expected by the end of March 2025. It will announce topline results from Phase Ib clinical study in the U.S. in 2025.

ASC47 is an adipose-targeted muscle-preserving weight loss drug candidate for treating obesity. As for ASC47 once-monthly or less frequent SQ injection for muscle preserving obesity treatment, it demonstrated potential first-in-class characteristics, as an adipose-targeted small molecule thyroid hormone receptor beta (THR β) agonist against a novel target, to offer muscle preserving obesity treatment. The clinical study of ASC47 in combination with semaglutide in the U.S. is expected to be completed in 2025.

The above pipelines demonstrate the Group's strong R&D capabilities and reflect our commitment to developing globally competitive, differentiated pipeline products.



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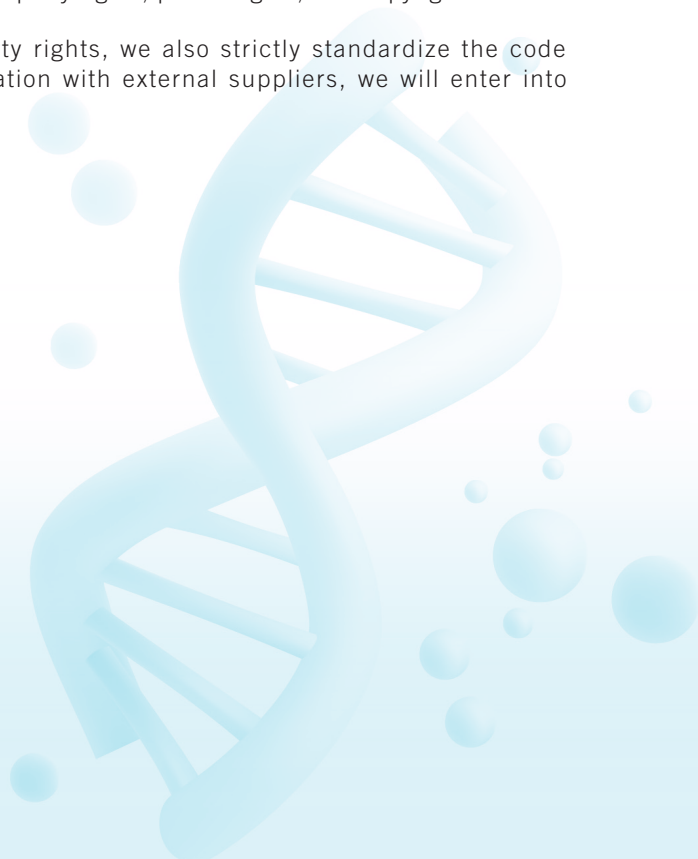
Intellectual Property Protection

As an innovative-driven company, Ascleitis values the protection of intellectual property and is zero-tolerant of any infringement on intellectual property rights. The Group strictly complies with laws and regulations in relation to intellectual property such as the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). We have formulated the Administrative Measurements for Intellectual Property (《知識產權管理辦法》) concerning the relevant laws and regulations to standardize and strengthen our internal management on intellectual properties with our rules and systems.

We rely on employees and various regulations, confidentiality agreements and applications for patents to protect our intellectual property rights such as confidential data, professional know-how and other proprietary information. In R&D activities and business activities, we protect proprietary information with our confidentiality agreements and patents. We filed 75 applications for patents in 2024, and also maintained 43 patents and newly added 5 patents in 2024. To prevent confidential information leakage, every employee is required to enter into a Confidentiality Agreement (《保密協議》), in particular, R&D staff are also required to sign an Intellectual Property Management Confirmation Letter (《知識產權管理辦法確認書》). Once employees resign, employees need to sign a Termination of Employment Relationship Agreement (《解除勞動關係協議書》) to ensure no leakage of confidential information. Besides, research and development personnel and supervisors or above in manufacturing and operations sign the Confidentiality and Non-Compete Agreement (《保密和競業限制協議》).

In addition, we require that all publicly available products and business information shall be examined strictly. We also ensure that all advertisements used for brand promotion shall deliver complete, true and accurate information to the public without any false or misleading product descriptions and acts such as infringement upon others' rights such as intellectual property rights, patent rights, and copyrights.

In addition to requirements for intellectual property rights, we also strictly standardize the code of operation for external suppliers. In our cooperation with external suppliers, we will enter into confidentiality agreements.



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COMMITMENT TO QUALITY AND INTEGRITY

Product Quality Management

Product Quality

The Group strictly complies with the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) and its attachments, Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), Measures for the Supervision over and Administration of Pharmaceutical Production (《藥品生產監督管理辦法》), Administrative Measures for Drug Recalls (《藥品召回管理辦法》), Regulation on the Administration of Annual Reports on Drugs (《藥品年度報告管理制度》) and Provisions on the Supervision and Administration of the Fulfillment of Medicinal Product Quality and Safety Responsibilities (《藥品上市許可持有人落實藥品質量安全主體責任監督管理規定》) which provide the legal framework for compliant operations of enterprises engaged in manufacturing, sales and quality management of drugs.

Our Wide Dimensions in Quality Assurance

Industry Norms

- Our production base strictly complies with the most stringent cGMP* regulations in all stages from design, construction and operation

Quality Assurance

- We have adopted a wide range of state-of-the-art equipment with cutting-edge technology capabilities at global level to ensure that all of our pharmaceutical products are of high quality

International Standards

- We have experienced manufacturing employees from multinational corporations to ensure our production quality and management system to maintain the international standards

Ensure Production Capacity

- We have sufficient production capacity to ensure consistent supply of our drugs for clinical treatments

* cGMP: Current Good Manufacturing Practice

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The Group considers product quality and safety as key elements of our business. To ensure our product quality, we establish various quality management procedures and systems for suppliers, manufacturing processes, laboratory tests and finished goods to manage the quality throughout the whole product life cycle. Starting from the sources, we have established the Supplier Quality Management Procedures (《供應商質量管理規程》) and Supplier Quality Audit Procedures (《供應商質量審計程序》) to assess the capabilities of suppliers, providing better quality assurance management for pharmaceutical raw materials. We have set up the Receiving Management Procedures for Production Materials (《生產用物料收貨管理規程》) and Material Receipt and Dispatch Management Procedures during IND Phase (《IND 階段物料收發管理規程》) to specify the initial acceptance of materials. Quality control documents for each type of material have been established, confirming the quality of incoming materials through testing or analytical methods. After release by QA according to the Incoming Material Release Management Procedures (《進廠物料釋放管理規程》), these materials are used for production, ensuring that the quality of production materials is controllable.

The Company has developed management documents for plants, facilities, and equipment, validating them before they are used for production. Regular retrospective validations are conducted according to document requirements, and any changes will be executed according to the Company's change management process, assessing whether re-validation is necessary. The Company organizes annual Personnel Hygiene Training (《人員衛生培訓》) for all employees and conducts health check-ups for directly involved staff each year to ensure the quality and safety of pharmaceuticals.

The Company has established the Personnel Training and Job Qualification Management Procedures (《人員培訓和崗位資質管理規程》), regulating the on-boarding training for new employees and continuing education for existing staff. QA prepares an annual training plan before February each year and supervises its implementation. These guidelines help us ensure the quality of each step to meet its standards and requirements. We strictly follow the regulations and rules for pharmaceutical product manufacturing. For every new production pipeline, a Pharmaceutical Production License (《藥品生產許可證》) or New Pharmaceutical Production Enterprise License (《新開辦藥品生產企業許可》) is applied or updated with authorities for any possible updated or correction. We continuously make improvements in our product quality and optimize the quality control management system. Additionally, we have developed the 'GMP Self-Inspection Management Procedures (《GMP 自檢管理程序》) and GMP Inspection Standard Management Procedures (《GMP 巡查標準管理程序》) to conduct routine and annual checks on the company's operations, ensuring the system runs smoothly. This guideline listed out the procedures for different departments such as logistics, quality assurance, and production when they are handling the products. In case of rejection, we also included the procedures to follow when the products have failed to meet the standards. This guideline could give us a convenient and clear way for our employees to manage the product's quality. To ensure the quality of production during transportation, we research to find out the best transportation method to enhance the stability of products during transportation.

Efficiency is the key to our drug production, good quality control not only helps us ensure sound quality, but also reduces the application time and the associated cost. In the Reporting Period, we used the least amount of time to finish the update of old production licenses without causing any delay in the production and zero mistake was found during the audition process. In addition, government authorities and third-party auditing companies acknowledged our quality assurance capabilities, we are now an authorized independent drug manufacturer, entrusted drug manufacturer and active pharmaceutical ingredient (API) drug manufacturer in the province. The Group is thrilled with the results, we will keep on perfecting our quality control practice to meet any future needs.

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Monitoring of Product Information and Advertising

As integrity is one of our core values, the Group prohibits any fraud, false or hidden of information. For packaging, labeling and advertising of drugs, we strictly comply with relevant laws and regulations to ensure the safety of patients.

Pharmaceutical Packaging

The Group complies with the Measures for the Management of Packaging Materials and Containers in Direct Contact with Drugs (《直接接觸藥品的包裝材料和容器管理辦法》) to ensure that the packaging for all of our drugs complies with national and professional standards. When national or professional standards are not available for reference, we will develop our corporate standards which will be implemented upon approval by the food and drug authorities at the national level and the relevant regulatory authorities. We will file the application with the relevant authorities for approval when changes to the standards for packaging are required.

The Group complies with the Provisions on the Administration of Pharmaceutical Directions and Labels (《藥品說明書和標籤管理規定》), which stipulates that the pharmaceutical directions and labels of drugs should be reviewed and approved by the National Medical Products Administration. Our pharmaceutical directions include the scientific data, conclusions, and information concerning drug safety and effectiveness according to relevant provisions, to ensure the safe and rational use of drugs. We strictly follow the relevant provisions to make sure the inner labels of drugs include information such as the drug's name, indication or function, specification, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer labels of drugs indicate information such as the drug's name, ingredients, indication or function, specification, dose and usage, adverse reaction, batch number, expiry date and drug manufacturer.

We have formulated the Design and Approval Management Procedure for Printed Packaging Materials (《印字包材的設計和審批管理程序》) to stipulate the approval responsibility of each relevant department and approval procedure on the contents of the printed packaging materials of our pharmaceutical products. We have also formulated the Management Procedure for Solid Dosage Workshop of Packaging Materials (《固體車間包裝材料管理規程》). When using the packaging materials, the printed contents will be checked carefully to ensure the information on the packaging materials of our pharmaceutical products is correct and true.

Drug Advertisements

The Group complies with the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》). We obtain approval document numbers for all advertisements relating to our drugs upon approval by competent authorities to ensure all the contents shown in the drug advertisement are true and legal. We will file new applications for approval to obtain approval document numbers for advertisements for our drugs relating to approval when an alteration to the content of such advertisements is required.

Environmental, Social and Governance Report

Product Safety Assurance

As the Group highly values the health and safety of our patients, product safety assurance is one of our utmost concerns in our business. In accordance with 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》), the Announcement on the Direct Reporting of Adverse Reactions by Marketing Authorization Holders (Announcement No. 66 of 2018) (《國家藥品監督管理局關於藥品上市許可持有人直接報告不良反應事宜的公告(2018 年第 66 號)》), the Announcement on the Issuance of the Guidelines for the Collection and Reporting of Adverse Drug Reactions in Individual Cases (No. 131 of 2018) (《個例藥品不良反應收集和報告指導原則(2018 年第 131 號)》), the Specifications for Pharmacovigilance Quality Management (No. 65 of 2021) (《藥物警戒質量管理規範(2021 年第 65 號)》) and International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use Topic E2 series (人用藥品技術要求國際協調理事會國際藥物警戒E2系列), we have formulated the Periodic Safety Update Reports, Periodic Benefit-Risk Evaluation Report Writing and Submission SOPs (《定期安全性更新報告和定期獲益－風險評估報告撰寫及遞交 SOP》) to stipulate the report of safety information and regular safety update of our pharmaceuticals to strengthen the safety management of products at various clinical stages and in the market.

We have formulated the Standard Operating Procedure for Security Signal Management (《安全信號管理 SOP》) to stipulate security signals receiving, analysis, evaluating and follow up work. Security signals can come from spontaneous reports, interventional clinical or non-interventional studies, scientific literature, pre-clinical studies etc. We will summarize, classify, analyze and evaluate the information, rate the information, prioritize the impact on public health, and take corresponding actions after a risk analysis.

We have formulated the Standard Operating Procedure for Clinical trial protocol writing, review and revision (《臨床試驗方案的撰寫、審核及修訂 SOP》) to regulate the procedure in preparing clinical trial proposals. A clinical trial proposal should include information of trial background, trial objectives, trial design, methods and procedures etc. Any information regarding the regulations, guidelines, principles, related research on drugs and experiments should be clarified before drafting the proposal. The proposal should be checked for its consistency and the trial template requirements, and the proposal should be approved by the head of the clinical department or CEO. We also have stipulated Standard Operating Procedure for Preparation of Packaging Drugs Used in Clinical Trials (《臨床試驗用藥品準備 SOP》), Standard Operating Procedure for Packaging Drugs Used in Clinical Trials (《臨床試驗用藥品的包裝 SOP》), Standard Operating Procedure for Packaging and Labeling Management of Experimental Drugs in Clinical Trials (《臨床試驗用藥品包裝和標籤的管理 SOP》), Standard Operating Procedure for Transportation, Storage, Sampling, Distribution, Recycling, Recall and Destruction of Drugs Used in Clinical Trials (《臨床試驗用藥品的運輸、貯存、留樣、發放、回收、召回和銷毀 SOP》) and Standard Operating Procedure for Over-temperature/Ultra-humidity Handling of Drugs Used in Clinical Trials (《臨床試驗用藥品超溫/超濕的處理 SOP》) regulated the preparation of clinical trials, the format of labeling, packaging, delivery and destruction of the trial medicine, handling of over-temperature or ultra-humidity drugs used in clinical trials.

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We have formulated the Drafting, Review, and Revision SOP for the Informed Consent Form (《知情同意書的撰寫、審核及修訂 SOP》), to oversee the drafting, review, and revision of informed consent forms for all clinical research studies. We have established a Standard Operating Procedure for the Management of Pharmacovigilance Activities in Research Projects (《研究項目中藥物警戒活動管理 SOP》), Standard Operating Procedure for Safety Report of Individual Cases in the Study (《研究中個例安全性報告 SOP》), Standard Operating Procedure for Safety Update Report during R&D (《研發期間安全性更新報告 SOP》) to manage the adverse events happen during clinical trial. Every trial should assign a responsible pharmacovigilance project manager and set up a safety management plan. A Safety Management Plan should consist of reporting procedures, handling of suspected unexpected serious adverse reactions, a contact list, etc. Employees of our Group are required to report such cases of adverse events to the pharmacovigilance department in a timely manner within one business day when they become aware of any adverse reactions as a result of the use of the Group's products (and any case of death and group adverse reactions to a drug must be reported to the pharmacovigilance department immediately). Any adverse event that happened during the trial should be reported, recorded, analyzed.

To ensure the quality and safety of our products and to safeguard the rights and interests of our patients, we have developed the management procedures for rejected materials, returned goods and emergency recall. We carry out quality assessments of the returned goods and determined the handling methods to improve our product quality and safety continuously. We have also established the Individual Case Safety Report for Post-launch Drug (《藥品上市後個例安全性報告 SOP》), ensuring consistent, accurate, and timely handling of individual case safety reports for marketed products, and the handling process complies with relevant regulatory requirements. In response to adverse reactions experienced by patients following medication, we have established the Drug Safety Issues Emergency Response Plan (《藥品安全性問題應急預案 SOP》), specifying the identification process and response methods for adverse reactions occurring after patients take medication, to safeguard patient rights. Besides, we also have other SOPs based on the Specifications for Pharmacovigilance Quality Management (No. 65 of 2021) (《藥物警戒質量管理規範(2021 年第 65 號)》).

According to the requirements of the Good Pharmacovigilance Practice (《藥物警戒質量管理規範》) and others, the Company has established a Pharmacovigilance Department to carry out pharmacovigilance activities for the global investigational drugs and post-marketing drugs of Asclepis and has appointed a full-time head of pharmacovigilance. The Company has formed a Drug Safety Committee, which is chaired by the CEO and is responsible for leading drug safety events. The core members of the committee include the head of pharmacovigilance and the heads of departments. The Drug Safety Committee is responsible for assessing major risks, handling significant or urgent drug events, making risk control decisions, and addressing other major issues related to pharmacovigilance. Asclepis has an independent Pharmacovigilance Department, with the head of pharmacovigilance providing comprehensive guidance for the work. Other related departments assist and coordinate to ensure effective pharmacovigilance, continuously monitor signals, and timely complete periodic safety reports. In the Reporting Period, the Group did not receive any recall of products sold or delivered due to safety and health reasons.

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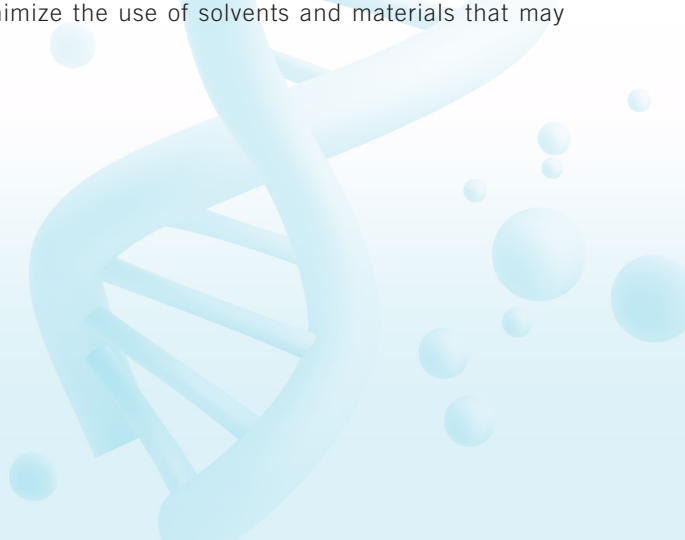
Supply Chain Management

As a group focusing on developing innovative and best-in-class drugs, it is our top priority to have excellent supply chain management to guarantee the quality of our suppliers and products. To standardize and manage effectively our selection procedure of suppliers, the Group has formulated Procurement Management System (《採購管理制度》), Tender Management Standard Operating Procedure (《招標管理標準操作流程》), Contract Management System (《合同管理制度》), etc. In addition to factors such as product and service quality, technology standard, reputation and cost, there are important considerations for the suppliers to commit to environmental and social responsibilities, such as environmental, health and safety status. To continue monitoring the performance of our supply chain in an all-round manner, we have also established the Supplier Quality Audit Procedure (《供應商質量審計程序》). To further ensure that our suppliers comply with our anti-corruption and anti-bribery requirements when working with us and refrain from making or accepting any form of payment, bribery, or kickbacks, we require suppliers to sign the Supplier Admission Commitment Letter (《供應商准入承諾函》) before conducting business with us. We also enter into confidentiality agreements with suppliers for technical cooperation.

We have formulated the Quality Management Procedure of Supplier (《供應商質量管理規程》). For example, we have expanded the responsibilities of the logistics department. They are required to assist in updating expired information of suppliers and conducting an official comprehensive inspection report on internal packaging materials before procurement each year. We have also formulated the Quality Management Procedure for Subcontractor (《承包商質量管理規程》). After replacing contractors, the relevant business department applicants are required to provide the necessary qualification documents, which will be reviewed by the department head and the quality management department.

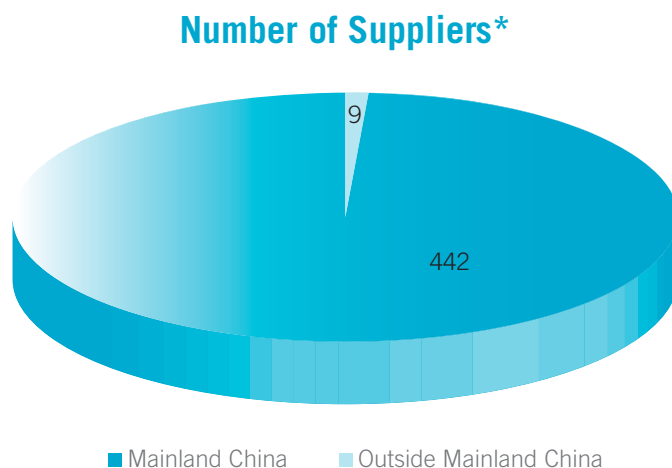
Consideration in Environmental and Social Aspects

To achieve the goal of being a responsible pharmaceutical manufacturer, we guarantee the value chain of our product to be environmentally and socially sustainable. We have implemented certain policies on suppliers' ESG performance and make sure that suppliers are in line with our policies. We require suppliers to sign the Supplier Admission Commitment Letter (《供應商准入承諾函》) issued by the Group. It is stated therein that all goods and services provided by the suppliers to the Company comply with current laws and regulations and do not violate social order and public morality. The supplier possesses all necessary legal qualifications and performance capabilities required for transactions or cooperation between both parties. The Group has established the EHS Management Procedure for Contractor (《承包方 EHS 管理程序》), which stipulates the inspection, evaluation, and supervision of suppliers, as well as conducting EHS training. Furthermore, all goods and services provided by the supplier to the Company do not infringe upon the legitimate rights and interests of any other third party. Additionally, when conducting new drug developments, we strive to minimize the use of solvents and materials that may cause harm to the environment and safety.



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The distribution of suppliers is listed below, the figure reflects the cooperation of the Group with overseas suppliers.



*Note: The number of suppliers includes those of producers, purchasing agents, traders and suppliers for indirect procurement.

Protection of Patients' Interests

Protection of Patients' Privacy

The Group places high importance on information security and privacy protection of the patients and trial subjects. To enhance information security, we establish Computer Active Directory (AD) Network User Management Regulation (《計算機 AD 網絡用戶管理規範》) to manage the user access authority of specific data and information, data security and intranet security. Only the relevant departments may have the authority of access to the information of the patients and our employees are required to obtain approval from their supervisors for accessing the information of the patients. We also establish the Computer and Information Management Regulation (《計算機及信息管理規範》) to stipulate the management and safety usage of hardware, software, and internet within the Group. We have utilized professional firewalls and anti-virus software to prevent any malicious intrusion activities. We established ERP-SAP System Data Backup Operation Procedure (《ERP-SAP 系統數據備份操作程序》), ERP-SAP System Problem Management Control Procedure (《ERP-SAP 系統問題管理控制程序》) and ERP-SAP System Daily Inspection and Maintenance Procedures (《ERP-SAP 系統日常檢查、維護操作程序》) to stipulate a routine system backup schedule, inspection process, daily inspection and maintenance and problem-solving procedure. Once there is any system-related problem, we will handle the problem according to the regulations. We have established the Document Management System (《文檔管理制度》) to create a company-wide document framework, ensuring the unified and complete preservation of company documents. Confidential documents are required to be stored in locked cabinets and should not be accessed by unauthorized personnel. When disposing of confidential documents, approval from the department head, as well as review and approval from the Presidents or Vice Presidents of Operations, is necessary, and a record of the disposal must be kept. We regularly hold employee training sessions on privacy rights to promote awareness of privacy protection.

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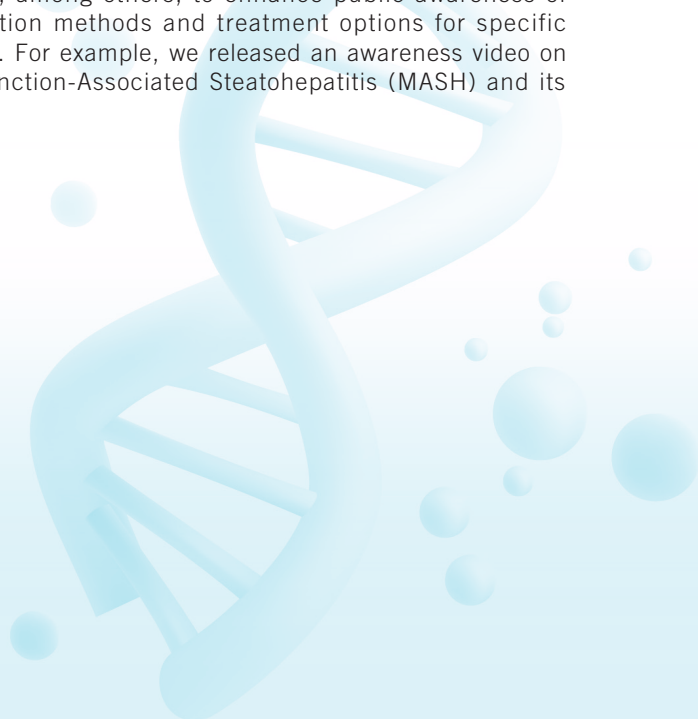
We specify with the collection, use and disclosure of information of patients and trial subjects and the ways of maintaining such information are carefully monitored and controlled. Every trial subject needs to sign the informed consent form before trial to make sure that they recognize the purpose, details and risks of the trials. Every employee must sign a confidentiality agreement, or a confidentiality and non-compete agreement upon joining the Group.

Emphasis on Patients' Interests

The Group treasures patients' opinions and interests. We have established various channels for patients or their families to express opinions or complaints, such as email, hotline and letter. To standardize our customer service procedure, we have formulated the Product Complaints and Consultation Management (《產品投訴和諮詢的管理規程》), Standard Operating Procedure for Pharmacovigilance Department Hotline Management (《藥物警戒部熱線電話管理 SOP》) and we follow the established procedures of handling complaints, enquiries and opinions. Upon receipt of complaints or issues on drug adverse reaction, the relevant departments will contact the patients in time to follow through on the situation, claims, key facts and reasons for the complaint, and ensure that the opinions and complaints received are responded and followed up properly and in a timely manner. Questions about the usage and dosage of medicine must be answered based on the instruction manual of the medicine. If the relevant questions cannot be answered, the clinical department must be notified and make a reply. To manage and standardize the handling procedure in case of any product quality complaints, returns and recalls of our products, we have formulated the Product Complaint and Inquiry Management Procedures (《產品投訴和諮詢的管理規程》), the Emergency Recall Management Procedure (《緊急召回管理程序》) and Return Handling Procedures (《退貨處理程序》). We review and optimize the product complaints and consultation management system regularly to protect patients' interests and maintain the reputation of the Group. During the Year, the Group did not receive product and service related complaint.

Repaying Community

The Group spares no effort to promote community services and perform its CSR. During the Year, the Group donated fitness equipment and clothing to a primary school in Guizhou Province, such as basketballs and badminton rackets. The Group has published articles and promotional videos during various health awareness days, such as Chinese Acne Week, Glioblastoma Awareness Day and International Non-Alcoholic Fatty Liver Disease Day, among others, to enhance public awareness of critical health issues, including introducing prevention methods and treatment options for specific diseases, thereby strengthening overall health literacy. For example, we released an awareness video on World Hepatitis Day for introducing Metabolic Dysfunction-Associated Steatohepatitis (MASH) and its treatment options and clinical outcomes.



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TALENT MANAGEMENT

Employee is an important pillar to support the success and growth of the Group. We adhere to the “Human-Based” management philosophy to allow for career advancement considerations with our employees. The Group strictly complies with the relevant laws and regulations in the places where we operate, including but not limited to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) and Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) in Mainland China.

Talent Employment

We have adopted policies to provide and ensure a harmonious, tolerant, fair and nondiscriminatory working environment. We strictly comply with the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) and 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, and formulate our human resources policies in accordance with the relevant laws and regulations.

As of December 31, 2024, the Group had a total of 231 employees. The details of our employees are set out in Appendix I: Sustainability Data Statement.

Recruitment Management System

To recruit suitable talents effectively for our business development strategy, we have formulated the Recruitment Management System (《招聘管理制度》). Our human resources department implements the recruitment process based on the recruitment plan for the year. The Group recruits employees through various channels such as recruitment websites, newspaper advertisements, recruiters, internal referrals and job fairs. No matter it is external or internal recruitment, we follow the basic principles of “openness, justice and fairness” regardless of ethnicity, race, religion, age, gender, family origin, marital status, sexual orientation, disability, nationality and region etc. to select appropriate candidates by considering their education background, experience and skills of the applicant. For every successful candidate, our human resources department carries out background checks and examines carefully their age, identity and qualifications of candidates before signing employment contracts to prevent employment of child labor. We will immediately terminate the employment contract if we find employees are under legal employment age. The Group enters into employment contracts with the employees which cover remuneration, benefits, basis of termination and other matters to ensure no forced labor. The Group will deal with non-compliance incidents in accordance with the laws. The Group has stated the attendance schedule and employees should strictly follow attendance time. Overtime work is required to get approval in advance, we will offer overtime payment or day off in lieu of overtime work compensation. During the Year, no child and forced labor was found in the Group.

Ascletris is striving to enhance the board’s diversity. The Group established the Board Diversity Policy (《董事會多元化政策》) given that when the nomination committee selects the board candidate, a range of selective perspectives such as gender, ethnicity, language, cultural background, educational background, industry experience and professional experience should be considered. The nomination committee is also responsible for reviewing and setting up policies and measurable objectives. In the Year, 40% of the Board and 50% of senior management are female.

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Stability of Employees

We formulate an Employee Handbook (《員工手冊》) to stipulate the human resources management such as recruitment, promotion, dismissal, compensation, working hours and rest periods. As we treasure, respect and take care of every employee, any discrimination or harassment is strictly prohibited in the Group including gender, sexual orientation, disability, age, race, nationality, family status, or any other legally protected factors, applicable to all employee activities and human resources matters, including recruitment, promotion, transfer, compensation, and training, among others. To reduce the employee turnover rate, we proactively conduct face-to-face interviews with departing employees to understand relevant reasons to enable corporate management improvements. If any employee decides to resign, both the Group and employees will follow the terms stated in the employment contract for arrangement. Employees are required to hand over their job properly and we will arrange an interview to understand the reason for resignation and the needs of employees.

Employee's Health and Safety

We adhere to providing a safe and healthy working environment to our employees. We strictly comply with the relevant laws and regulations related to occupational health and safety, including but not limited to the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》) and the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》).

Clean and Safe Working Environment

We are dedicated to protecting the health and safety of our employees and have formulated the Employee Handbook (《員工手冊》), Compilation of Safety Management System (《安全管理制度匯編》) and Compilation Handbook of Occupational Health Management System (《職業健康管理制度匯編手冊》) to manage the health and safety aspects of the Group. The Director of the EHS Committee is responsible for implementing EHS-related laws and regulations, organizing regular EHS meetings and coordinating EHS work across relevant departments, including fire safety, occupational disease prevention, handling measures of dangerous goods and chemicals etc. During the Reporting Period, we have updated the personnel composition of the EHS Committee.

To ensure a safe working environment for our employees and to regulate the safety use and management of fire, electricity, dangerous goods and gas and electrical appliances, we have established various safety management regulations, such as Fire Safety Management Regulation (《消防安全管理規定》), Fire Inspection Management Regulation (《防火巡查、檢查管理規定》), Fire Rectification Management Regulation (《火災隱患整改管理規定》), Flammable and Explosive and Fire and explosion-proof Area Management Regulation (《易燃易爆危險物品和場所防火防爆管理規定》), Volunteer Fire Brigade and Micro-Fire Station Management Regulation (《志願消防隊及微型消防站管理規定》), Fire Inspection and Inspection Management Regulation (《防火巡查、檢查管理規定》), Regulation on the Safety Management of the Use of Fire and Electricity (《用火、用電安全管理規定》), Regulation on the Management of Maintenance of Fire Protection Facilities (《消防設施設備維護管理規定》), Fire and Explosion Safety Management Regulations (《防火防爆安全管理規定》), Fire control room Safety Management Regulations (《消防控制室安全管理規定》) and Equipment and Regulation on the Management of Safe Evacuation Facilities (《安全疏散設施管理規定》).

Environmental, Social and Governance Report

For fire safety, we follow the approach of “prevention first with the combination of elimination” and the management principle of “who is in charge has to take the responsibility” and have formulated the Fire Safety Responsibility System (《消防安全責任制》) to stipulate the responsibilities of each responsible departments and employees. We have set up routine fire inspection items for daily, weekly and monthly inspection events, ensuring all the fire protection regulations are well-implemented. Any employee who needs to work in flammable and explosive material sites should be trained and passed before taking the role. Any switch, lamp, wiring inside the site must meet the explosion-proof requirements and be regularly inspected and maintained. We have stipulated regulations on the implementation of emergency lights, safety exits, evacuation doors, walkways, staircases, labels. All these facilities should be checked regularly to ensure they are fully intact and functioning well. To monitor the implementation of fire safety measures, we have formulated the Regulation on the Management of Fire Safety Work Assessment, Rewards and Punishments (《消防安全工作評估、獎懲管理規定》) to assess the fire safety implementation and knowledge of our employees. We have formulated our own volunteer fire brigade, which helps with fire extinguishment, employee evacuation and fire scene protection.

Smoking is forbidden, ignition tools and non-explosion-proof equipment are not allowed to be brought in the explosion-proof area. For some special machineries, employees are required to obtain the operation license before use. Whenever an incident happens, operations should be stopped and employees should notify EHS department immediately. Operations should only be resumed when the threat is eliminated.

For hazardous chemical handling, we have formulated the Hazardous Chemicals Management Regulations (《危險化學品管理規定》), Loading and Unloading Hazardous Chemicals Management Regulations (《危險化學品裝卸管理規定》), Highly Toxic and Precursor Chemicals Safety Management Regulations (《劇毒、易制毒化學品安全管理規定》), Highly Explosion Chemicals Safety Management Regulations (《易制爆化學品安全管理規定》) and EHS Label Management Regulation (《EHS 標識管理規定》), providing guidelines for colleagues especially from the logistics, engineering, EHS preparation workshop, API workshop departments to handle hazardous chemicals safely. For clear indication and easy reference, we have set up safety signs, fire safety signs, occupational health warning slogans, hazardous chemical signs, environmental signs etc. These signs or slogans are placed at different sites such as licensed workplaces, factory roads, waste discharge outlets etc., improving the awareness of EHS on employees. We ask for the Material Safety Data Sheet (“**MSDS**”) from suppliers for every hazardous chemical we buy, then we follow the requirement on MSDS to store, use, transfer and dispose. Employees are required to wear safety equipment and work at the designated place listed in the guidelines. Besides toxic chemical handling, all the procedures should be carried out by at least two or more people together to ensure safety. Employees who need to handle hazardous chemicals are required to be trained before practice.

We have established the Accident Report and Investigation Management Regulations (《事故報告與調查管理規定》). After an accident occurs, the involved parties or witnesses should immediately report verbally or by phone to their direct supervisor or the factory manager. The department where the accident occurred should complete the Preliminary Accident Report (《事故初步報告》) and submit it to the company’s EHS department within 24 hours, while the accident investigation organization must complete the formal Accident Investigation Report (《事故調查報告》) within 7 days. We have also developed the Near-Misses Management Regulations (《未遂事故管理規定》), which address events that could have resulted in an accident due to improper operations or maintenance but ultimately did not cause personal injury or property damage. After a near-miss incident, witnesses or involved parties are responsible for taking immediate action to prevent similar situations from occurring and should report by phone to the department head or directly to the EHS management department.

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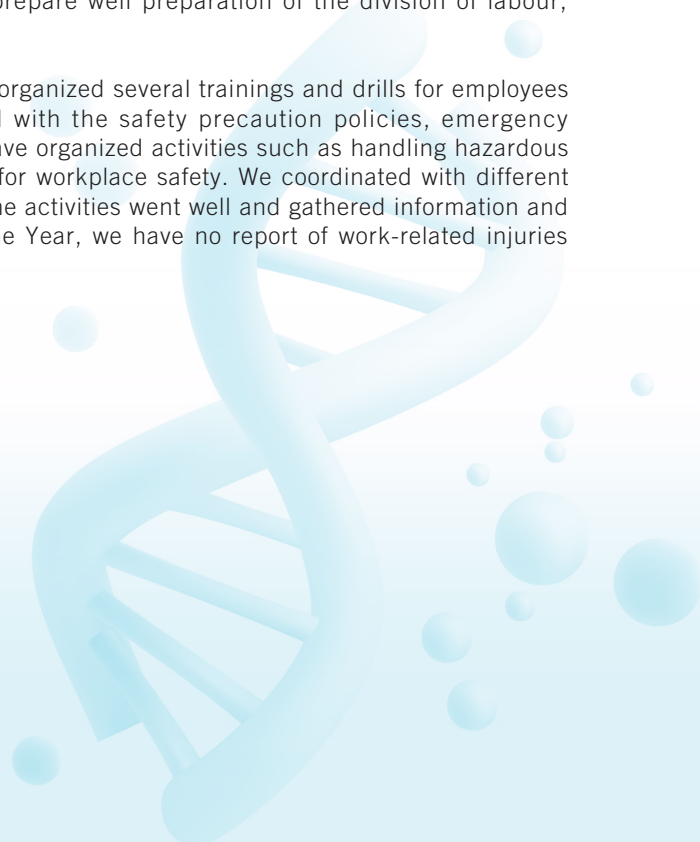
For the prevention of occupational diseases, we provide employees with a working environment and conditions that comply with national occupational health standards and hygiene requirements. We will take corresponding measures to prevent occupational diseases, including separating workplaces with toxic substances, hazardous materials, and high noise levels from the employees. We strive to use mechanized operations and regularly maintain, inspect, and service equipment that emits dust and noise. We will ensure that ventilation equipment, detoxification equipment, and air conditioning systems meet the relevant standards. Additionally, we have clear guidelines for assessing, maintaining, and servicing safety equipment to ensure that employees can work safely.

In addition, to ensure the health of our employees, all employees are entitled to free physical health examinations regularly. In accordance with the requirements of the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Group regularly conducts occupational disease health check for every employee exposed to occupational disease hazards. During the Year, the Group did not have any accidents involving work-related death or injury of employees to indicate our achievement in protecting the health and safety of our employees.

Health and Safety Trainings

To enhance the health and safety knowledge of employees, we offer various health and safety trainings to our employees. We have formulated the Regulations on the Management of Fire Safety Education and Training (《消防安全教育、培訓管理規定》) to strengthen and regulate the fire safety training work of the Group. This regulation regulates the content and frequency of fire safety trainings received by management staff, on-the-job staff, new staff and other staff. Good fire safety training files should be established by responsible departments and units. We have also formulated the Regulations on the Management of Firefighting and Emergency Evacuation Drills (《滅火和應急疏散預案演練管理規定》) and Firefighting and Emergency Evacuation Drills Plan (《火災事故應急救援演練方案》) to ensure organized firefighting and evacuation in case of fire. During the Year, we carried out regular fire drills in accordance with the requirement of the fire-control authorities to enhance the fire prevention awareness of all employees. We established a plan for each drill to prepare well preparation of the division of labour, emergency equipment and procedure.

We also set June of the Year as our safety month and organized several trainings and drills for employees to raise their awareness, and get them familiarized with the safety precaution policies, emergency procedures and escape routes. During the Year, we have organized activities such as handling hazardous materials training, safety month training, safety drills for workplace safety. We coordinated with different authorities, departments and units to guarantee that the activities went well and gathered information and advice for further review and improvement. During the Year, we have no report of work-related injuries and casualties. The detail is presented in Appendix 1.



Environmental, Social and Governance Report

Benefits of Employees

To attract and retain talents of high caliber, the Group is committed to providing fair and competitive remuneration and benefits to employees. We have formulated the Employee Handbook and update the policy of benefits and remuneration regularly to keep the benefits and remuneration at an appropriate and market competitive level. We prioritize internal promotions before considering external hires. The Group makes contributions to social insurance and housing provident fund for its employees as required by the laws of the People's Republic of China, including pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund.

We pay great attention to benefits for employees and strictly comply with the Labor Law of the People's Republic of China 《中華人民共和國勞動法》 in making arrangements such as working hours and overtime pay for employees. We provide employees with benefits that are better than the minimum standard provided under the laws. We provide all employees with paid annual leave, sick leave, casual leave, maternity leave, wedding leave, bereavement leave and work-related injury leave. For general benefits, we provide employees with birthday and festival benefits, newborn gifts, annual health check-ups, summer hot weather allowance, employee newlywed benefits and reimbursement of pre-approved training expenses etc. We adjust salaries annually for our employees and have equity incentive plans. We provide year-end bonuses.

Cultural Events for Employees

The Group has established labor unions. The labor union representatives are responsible for participating in discussions related to company regulations or significant matters that directly affect the interests of employees. The Group has also held different activities regularly for our employees to alleviate work pressure, relieve mental stress and help to build up the teamwork spirit. During the Year, we have organized several activities such as Mid-Autumn Festival activities, International Women's Day activities, Annual Meeting activities and 11th anniversary activities. These activities enhanced the communication between colleagues from different branches, and attachment to the Company.

Training and Development of Employees

The Group is committed to employees' training and development for excellent team building and maintains the competitiveness of the Group. To expand the horizons and enhance the expertise, technical know-how, quality and skills of the employees, we offer various types of training programs to our employees, such as regular training, R&D training, and manufacturing training, etc.

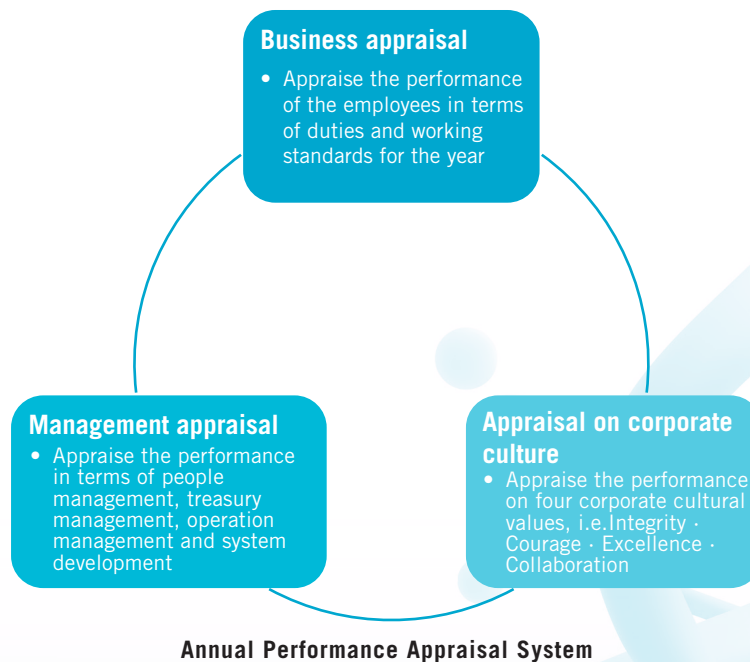
The regular training mainly focuses on the training of new employees and includes all new employees for the current Year. The main learning content covers company policies, operation procedures, professional knowledge, and skills training. In addition, all employees need to learn how to set performance goals and how to conduct performance evaluations. Besides, R&D training covers topics such as the GCP for pharmaceuticals 《藥物臨床試驗質量管理規範》 training and involves employees from various departments within the R&D sector. Manufacturing training mainly includes safety training, Annual Good Manufacturing Practice (GMP) training, and job-specific retraining, targeting primarily factory employees who are currently employed. During the Reporting Period, we launched new training focused on employee development, including management performance courses and courses based on employee growth case studies.

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Annual Performance Assessment

To drive business results, develop employees' ability and support human resources management, we have developed an annual performance appraisal system. We appraise the performance of our employees annually on objective considerations such as business performance, management capabilities and cultural values, which are subsequently used in deciding the awarding of year-end bonuses, salary adjustments and promotions. To better respond to industry changes and ensure competitiveness, year-end bonuses will be allocated based on company performance and employee levels, with salaries benchmarked against the market, and will also incentivize high-performing employees.

Setting of individual growth targets can be selected from three dimensions including professional knowledge or capability, general capability, and corporate culture awareness and action. Adopting the principle of "suitable talent fits for the suitable job", we choose suitable employees with outstanding performance and strong ability for appropriate positions through methods such as promotion. During the Reporting Period, we comprehensively promoted the peer evaluation mechanism based on previous efforts, establishing and optimizing the evaluation system and peer review process. This includes comprehensive, cross-sector, and intra-departmental peer evaluations, continuously enhancing the objectivity, accuracy, transparency, and fairness of performance assessments.



Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION FOR A GREEN WORLD

Environmental Protection System Establishment

To ensure proper implementation of the environmental management system can be carried out in the Group, apart from establishing the ESG Committee, the Group has established the Sustainable Development System and related policy to continuously improve environmental measures. Our Sustainable Development Policy (《可持續發展政策》) regulates the environmental measures of the Group in controlling and reducing its air emissions, greenhouse gas (“GHG”) emissions, effluent, use of resources and waste production and the measures on combating climate changes. The ESG committee is responsible for monitoring the implementation status of the related policy and the implementation progress of the environmental measures. We establish a Compilation Manual of Environmental Management Regulations (《環保管理制度匯編手冊》) to regulate the handling and control measures of air emissions, effluent and waste produced from the Group.

The Group strictly abides by relevant laws and regulations of the regions where the Group operates, such as the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Law of the People’s Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). To maintain good relationships with communities in the surroundings of the production base, the Group strives to save energy as much as possible in business operations, implements measures for water management and waste recycling, reduces GHG emissions and improves energy efficiency. During the Year, there was no material incident affecting the environmental and natural resources or punishment and litigation concerning environmental regulations.

In the Year, the Group has reviewed the environmental targets set in 2021. Going forward, to meet the environmental target in 2025, the Group will continuously implement pollution mitigation and energy and water resource usage reduction measures in the future.

Emissions Management

GHG Emissions Inspection

In fulfilling China’s responsibilities under the Paris Agreement (《巴黎協議》) and other related important policies such as China’s Policies and Actions on Climate Change (《國家適應氣候變化戰略》), the Group is committed to minimizing the impacts arising from the risk of global warming. We inspect GHG emissions of the Group in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) jointly developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO14064-1 developed by the International Standardization Organization. We are committed to reducing the carbon footprint during the operations of the Group and implementing low carbon business.

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Following the inspection, the Group's GHG emissions are divided into direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2). Scope 1 refers to direct GHG emissions from sources that are owned or controlled by the Group. Scope 2 refers to indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site but purchased by the Group. GHG emissions in all scopes originated from the fuel consumption of the Group and the fuel oil used by its vehicles (Scope 1), and electricity consumption during operation (Scope 2). A summary of GHG emissions during the Year is described in Appendix 1.

GHG emission per pipeline in the Reporting Period decreased compared to last year due to the reduction in the number of production. We will actively implement the GHG reduction measures and use 2021 as the base year to maintain or decrease GHG emission intensity in 2025.

Air Emissions

Our air emissions mainly come from the emissions of volatile organic compounds (VOCs) and acidic exhaust arising from the manufacturing processes of drugs and emissions of nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matters (PM) arising from our group vehicles. We adopt appropriate reduction measures of air emissions to reduce their influence on the environment.

For exhaust arising from drug manufacturing processes, we adopt suitable processes, such as spraying, adsorption and regenerative thermal oxidizer (RTO), to treat the exhaust. After treatment, the amount of air emissions can attain the national and local emission standards of air pollutants.

To reduce vehicle emissions, we have formulated the Vehicle and Driver Management System (《車輛及駕駛員管理制度》) for reasonable vehicle arrangement for business purposes. We encourage the use of online meetings to reduce unnecessary business travel. We regularly maintain our company vehicles to ensure smooth operation. We encourage our employees to travel by public transport. If group vehicle is necessary, we encourage more employees to share one vehicle when traveling to reduce the use of group vehicles. We optimize the production process using clean materials and technology to reduce the generation of VOCs, also. The summary of the air emissions is presented in Appendix 1.

Wastewater Discharge

Wastewater generated by the Group mainly comes from drug manufacturing processes, equipment washing, pure water manufacturing processes, exhaust treatment and domestic sewage. All types of wastewater are treated by the sewage treatment station in the factory area to meet the required standard before discharge. Water discharged from recirculating cooling systems and sewage from water purification generated in the factory area is discharged directly to the sewage treatment plant in Shaoxing for centralized treatment and is discharged when effluent has met the required standards. All discharges of wastewater generated by the Group meet with the required standards for emissions at the national level and local levels.

To meet the discharge requirement, we have developed several types of treatment methods for various types of sewage. For industrial sewage of high pollutant concentration, we have introduced the Biomimetic catalysis treatment system to do the ring-opening reaction to reduce the contamination levels. For integrated sewage, we use the deacidification and activated sludge methods to reduce the pollutant concentration. The sewage has to meet the class 3 of integrated wastewater discharge standard before discharge to sewage treatment plants nearby for further treatment.

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Disposal of Waste

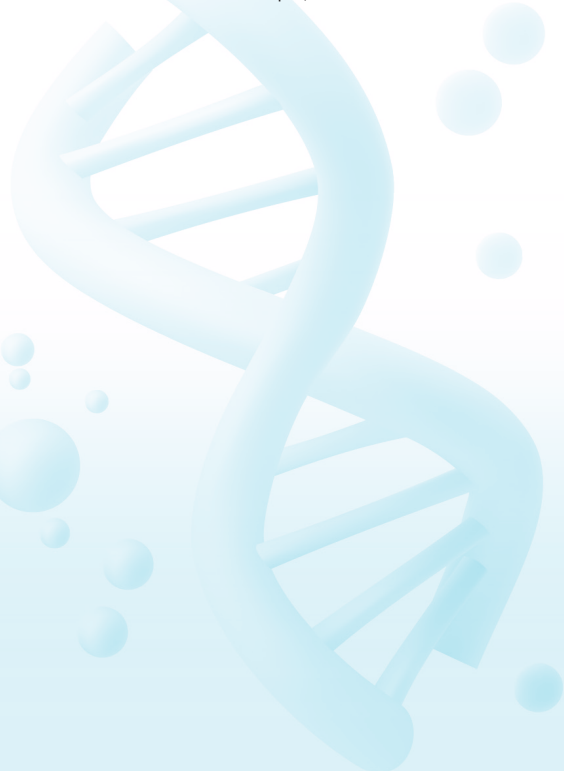
The Group employs professional and qualified waste treatment companies for the disposal and recycling companies for recycling respectively of both hazardous waste and non-hazardous waste, according to Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Directory of National Hazardous Wastes (Version 2021) (《國家危險廢物名錄(2021 年版)》) and other related laws and regulations. We have classified the hazardous waste into several categories, such as used batteries, electronic waste, waste catalyst, waste mother liquor, waste solvent, laboratory waste, waste reagent bottle, etc. We signed contracts with recycling partner companies, to ensure that they handle waste per requirements. To achieve waste reduction and better resource utilization, we implement the waste palladium catalyst reusing program, also we introduce sorting and storage of waste according to type and deliver waste to different companies for recovery, utilization and disposal based on their recycling purposes. Waste is stored in sealed containers with waste labels and transported by GPS-equipped transportation vehicles to achieve complete process supervision. We also have sufficient safety equipment, decontamination and clean-up tools and kits as well as the Emergency Response Plan for Sudden Environmental Incidents (《突發環境事件應急預案》) to deal with accidents.

We provided environmental training to employees during the Reporting Period to enhance the management of hazardous waste. We also use recyclable and remanufactured toner cartridges or ink cartridges. Additionally, we regularly assess material usage to avoid excessive inventory.

Non-hazardous waste per pipeline in the Reporting Period decreased compared to last year due to the reduction in the number of employees and production. We will actively implement the waste reduction measures and use 2021 as the base year to maintain or decrease waste generation intensity in 2025.

Reduction of Business Trip

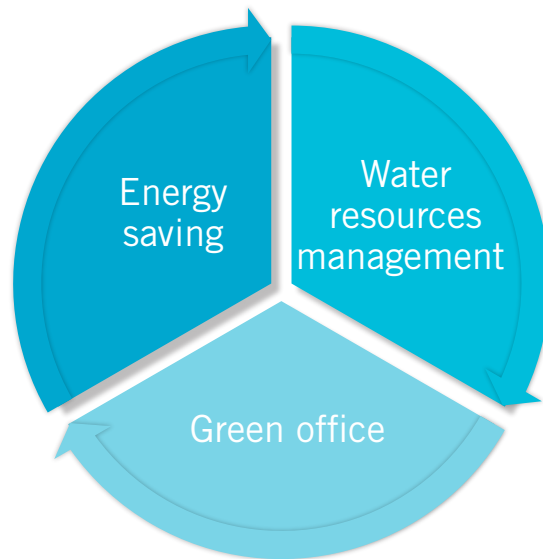
The Group is aware that business trips can result in GHG emissions. Therefore, we encourage employees to replace unnecessary overseas business trips with video conferences, and choose non-stop flights for unavoidable business trips, to minimize GHG emissions.



Environmental, Social and Governance Report

Use of Resources

The Group is committed to protecting the environment and conserving natural resources, therefore we established the Office Management Regulation to manage the employees' behaviors in the aspects of energy saving, water resources management and green office. We adopt the following measures to have better utilization of resources and waste reduction during the Year.



Energy Saving

The air conditioning system is one of the most intensive power-usage devices in the office. For effective energy saving, we use an air conditioning system with a proven energy efficient label and avoid installing the air conditioner under direct sunlight to enhance energy efficiency. We regularly clean the air conditioner filters and fan coil units. We also conduct regular inspections and replacement of pressure gauges, pressure hoses, and connectors of the air compressor to reduce the possibility of refrigerant leakage. We stipulate our employees to turn off the air conditioning system in our office when not in use. The lowest temperature of air conditioning is set to be 26°C. In addition, we try to avoid using high-energy-consuming equipment during peak hours and strengthen the maintenance of all equipment to ensure optimal operation and achieve energy reduction. We have introduced dehumidifiers in specific warehouses to reduce the energy consumption of cooling equipment. The windows in our office are attached with UV-resistant insulation film to reduce heat absorption. We have the water-cooled air conditioning system, and the air conditioning system, fan, and water pump are equipped with automatic variable frequency control. We have also utilized the Building Management System (BMS) to save energy. We installed weatherstripping on some doors and windows to prevent the conditioned air from leaking out. During hot weather, we allow our staff not to wear ties and suits and to wear smart casual on Friday to reduce the use of the air conditioning system.

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For energy saving in the lighting system, we promote the use of energy-efficient LED lighting. We also divide our offices and laboratories into several different lighting zones to provide independent control of the lighting system, and stipulate employees to turn off unnecessary lighting when not in use as they leave the office for outdoor work, go out for lunch or at the end of the day, use compact fluorescent lamps in a street lamp. Besides, we regularly check the level of illumination in different parts of the office, and for places with light exceeding the required brightness level, so that we may reduce the number of lights to reduce energy consumption and make use of natural daylight as much as possible.

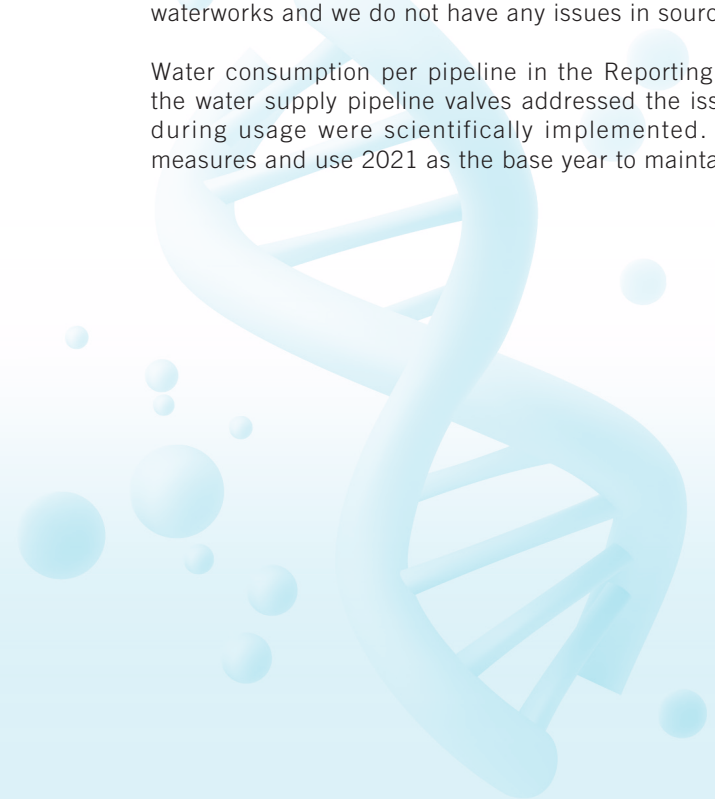
In order to reduce fuel consumption, the Group regularly carries out inspection and maintenance of the vehicle fleet, inflates the tires regularly to keep proper air inflation and improves the automobile efficiency to reduce fuel consumption and emission of pollutants. We also offer training for drivers to prevent engine idling and improve fuel oil efficiency.

We purchase electronic devices with energy efficiency labels, such as computers, to lower energy consumption. Daily electricity consumption is monitored to assess usage. Electricity consumption per pipeline in the Reporting Period decreased, due to reasonable adjustment of the operating load power of high-power equipment. We will actively implement electricity conservation measures and use 2021 as the base year to maintain or decrease electricity consumption intensity in 2025.

Water Resources Management

The Group recognizes that the world is now facing a water shortage crisis and we strive to promote water conservation. We implement several measures throughout our operations to enhance the effective use of water resources. We take the initiative to lower the water pressure to the lowest possible level, take meter readings regularly and check for hidden leaks, collect rainwater and wastewater from washing for irrigating and cleaning. To further reduce water consumption, we recycle wastewater from a water purification system to use as cooling water, this wastewater recycling system is estimated to reduce about 1,050.00 tonnes of water per year, also, we place water saving reminder stickers, use double flush toilet and use sanitary ware with water saving labels and infrared sensing in the washroom. We use the washing machine when it is full rather than washing with a small load at a time. Our water source is from local waterworks and we do not have any issues in sourcing water.

Water consumption per pipeline in the Reporting Period decreased, because effective maintenance of the water supply pipeline valves addressed the issue of leaking water waste and conservation measures during usage were scientifically implemented. We will actively implement the water conservation measures and use 2021 as the base year to maintain or decrease water consumption intensity in 2025.



Environmental, Social and Governance Report

Green Office

The Group adopts green measures in our office. We have been utilized training systems, electronic document management systems, and human resources systems to migrate relevant paper-based approval processes to online platforms. This enhanced the management of electronic data and allowed for online previewing, sharing, and real-time operations through the document functionalities of these systems. We also utilize online platform for approval processes. We use QR codes instead of written forms to complete visitor registration. We use an online management platform as an important tool in streamlining and managing the business processes to reduce paper consumption. For unavoidable paper consumption, we encourage our employees to reuse or use both sides of the paper or adjust the spacing to print as much as possible on one page. In this Year, we have collectively recycled 3.18 tonnes of office and domestic waste, including paper and cardboard. We also encourage our employees to use wastepaper for internal record purposes, use e-greeting cards instead of traditional greeting cards to send holiday greetings and utilize electronic devices to transmit information to minimize paper consumption. We also provide hand dryers to encourage colleagues to use fewer paper towels. We regularly check and monitor paper usage and carry out suitable improvement measures. Besides, we regularly remind employees to pay attention to environmental protection, such as posting relevant reminder notices to raise the employees' environmental protection awareness.

Before purchasing office stationery, we first assess the material usage to avoid excessive inventory. If there is any need for the purchase of materials, we give priority to the products that can be recycled or replenished and reduce the use of one-off and unrecyclable ones. The use of material should be based on work requirements, and the requisition application form should be filled out truthfully. We encourage our staff to reuse envelopes, spring binders, file cards and other stationery. We post waste separation guidelines in our offices to encourage staff to separate recyclables such as metal cans, plastics and used paper to facilitate recycling and disposal of wastes. The Group has formulated the Office Management Regulations (《辦公室管理規範》), which specify that the Administrative Department is responsible for centralized procurement, arranging green plants within the office, and assigning janitors for daily maintenance.

We regularly provide environmental training courses to employees to enhance their environmental awareness. We also encourage employees to use public transport more often to attain energy savings.

Combating Climate Change

The Group has recognized that climate change and extreme weather have foreseeable impacts on our business, employees and stakeholders. The Board decided to take the responsibility of fighting climate change by using the adaptation and mitigation measures to reduce the risks to our business. We also instill these ideas in our stakeholders, especially employees to gather our effort to work against the problems for the greater good.

We have evaluated the risks of climate change and have adopted several adaptation measures to reduce the direct risks to our employees. We implemented the hot weather allowance, heat illness training and UV-insulation film to reduce the heat gain and protect our employees from hot weather. We further investigate other possibilities and measures to reduce potential impacts. We believe a low carbon working style can help mitigate the climate change effect. The Group has encouraged and inspired our employees to work and live green. For all the events we held, we put low-carbon options into consideration, such as using low-carbon food and local supply food, transportation-convenient locations, and reducing the use of single-use utensils.

Environmental, Social and Governance Report

Potential risk	Risk level	Potential consequences	Recommendations for current responses to mitigate risks
Physical Risk			
Extreme high temperature	Medium	<ul style="list-style-type: none"> Increased demand for cooling, resulting in higher power requirements and operating costs 	<ul style="list-style-type: none"> Reduce the risk of possible future energy price increases by using more low-cost emission reduction measures
Water Scarcity	Low	<ul style="list-style-type: none"> Change in plant and animal growing conditions due to climate change affecting the supply of raw materials for pharmaceutical production 	<ul style="list-style-type: none"> Establish water-saving measures, such as installing efficient water-saving equipment etc.
Transition Risk			
International climate change policy and regulatory requirement	Low	<ul style="list-style-type: none"> Possible penalties from regulatory bodies 	<ul style="list-style-type: none"> Publicly disclose the company's greenhouse gas emission data and efforts in low-carbon operations in ESG Reports
Failure to comply with national and industry standards for carbon neutrality goals	Low	<ul style="list-style-type: none"> The loss of orders and decreased revenue caused by insufficient disclosure of carbon neutrality targets and data 	<ul style="list-style-type: none"> Dedicated to integrating carbon neutrality into management strategies
Stakeholder focus on climate-related issues	Low	<ul style="list-style-type: none"> Indirect impact on corporate goodwill 	<ul style="list-style-type: none"> Communicate with stakeholders to explain the sustainability measures the Group has implemented

Climate-related Opportunities

Climate-related opportunities	Potential Benefits	Measures in realizing opportunities
Resources efficiency improvement	More efficient production process	Reduce the use of electricity in daily operations



Environmental, Social and Governance Report

APPENDIX I: SUSTAINABILITY DATA STATEMENT

Environmental Subject Area ²	Unit	2024
Air emissions^{3,4}		
NO _x	kilogram	5.46
SO _x	kilogram	0.13
PM	kilogram	0.40
GHG emissions³		
Direct GHG emissions (Scope 1)	tonnes carbon dioxide equivalent	423.76
Indirect GHG emissions (Scope 2)	tonnes carbon dioxide equivalent	2,218.57
Total GHG emissions (Scope 1 & 2)	tonnes carbon dioxide equivalent	2,642.33
GHG emission intensity		
GHG emission intensity (per square metre) (Scope 1 & 2)	tonnes carbon dioxide equivalent/ square metre	0.11
GHG emission intensity (per pipeline) ⁵ (Scope 1 & 2)	tonnes carbon dioxide equivalent/ pipeline	203.26
Energy consumption⁶		
Total energy consumption	megawatt-hour	4,738.57
Natural gas consumption	cubic metre	2,186.00
Gasoline consumption (fleet)	litre	8,569.31 ⁷
Diesel consumption	litre	50.00
Total electricity consumption	megawatt-hour	3,046.50
Electricity consumption intensity (per square metre)	megawatt-hour/square metre	0.13
Electricity consumption intensity (per pipeline) ⁵	megawatt-hour/pipeline	234.35
Purchased Steam	tonnes	2,123.00 ⁸
Water consumption		
Total water consumption	cubic metre	29,485.00 ⁹
Total recycled water	cubic metre	3,650.00
Water consumption intensity (per square metre)	cubic metre/square metre	1.23
Water consumption intensity (per pipeline) ⁵	cubic metre/pipeline	2,268.08

Environmental, Social and Governance Report

Environmental Subject Area ²	Unit	2024
Hazardous waste		
Total hazardous waste	tonnes	100.07 ¹⁰
Hazardous waste intensity (per employee)	tonnes/employee	0.48
Hazardous waste intensity (per pipeline) ⁵	tonnes/pipeline	7.70
Non-hazardous waste		
Total non-hazardous waste	tonnes	35.45 ¹¹
Non-hazardous waste intensity (per employee)	tonnes/employee	0.17
Non-hazardous waste intensity (per pipeline) ⁵	tonnes/pipeline	2.73
Paper consumption	tonnes	3.87
Paper consumption intensity (per employee)	tonnes/employee	0.018
Paper consumption intensity (per pipeline) ⁵	tonnes/pipeline	0.30
Packing Materials		
Carton	tonnes	0.0005
Polyolefin bottle for oral solid drugs	tonnes	0.25
Bottle lid	tonnes	0.12
Plastic bag	tonnes	0.20

Pollutants concentration from the factory in Shaoxing

Environmental Subject Area	Unit	2024	Permitted concentration
Domestic sewage	tonnes	2,403.00	–
Industrial sewage	tonnes	6,620.00	–
Chemical oxygen demand (COD)	tonnes	0.508	≤1.159 tonnes/year

Social Subject Area	Unit	2024
Total employees		
Female employees	no. of people	111
Male employees	no. of people	120
Total employees	no. of people	231
Total employees by employment type		
Short-term contract/part-time employees	no. of people	1
General employees	no. of people	125
Supervisors and managers	no. of people	95
Directors and above	no. of people	10

Environmental, Social and Governance Report

Social Subject Area	Unit	2024
Total employees by age		
Below 30	no. of people	70
Aged 30-50	no. of people	146
Above 50	no. of people	15
Total employees by geographical region		
North China	no. of people	4
East China	no. of people	220
Central China	no. of people	1
South China	no. of people	4
Other regions (including Macau, Hong Kong and Taiwan)	no. of people	2
Employee turnover rate by gender¹²		
Female employees	%	17.16
Male employees	%	15.49
Employee turnover rate by age¹²		
Below 30	%	18.00
Aged 30-50	%	13.58
Above 50	%	35.71
Employee turnover rate by geographical region¹²		
North China	%	20.00
Eastern China	%	15.44
Central China	%	0.00
South China	%	16.67
Other regions (including Macau, Hong Kong and Taiwan)	%	60.00
Occupational health and safety		
Work-related casualties		
Lost days due to work injury	days	0
Number of work-related fatalities occurred in each of the past three years including the reporting year	no. of people	0
Rate of work-related fatalities that occurred in each of the past three years including the reporting year	%	0.00
Percentage of employees participating in training by gender¹³		
Female employees	%	97.30
Male employees	%	98.33

Environmental, Social and Governance Report

Social Subject Area	Unit	2024
Percentage of employees participating in training by employment type¹³		
Short-term contract/part-time employees	%	100.00
General employees	%	99.20
Supervisors and managers	%	98.95
Directors and above	%	70.00
Average training hours per employee by gender¹⁴		
Female employees	hours	18.43
Male employees	hours	28.55
Average training hours per employee by employment type¹⁴		
Short-term contract/part-time employees	hours	5.50
General employees	hours	28.49
Supervisors and managers	hours	18.58
Directors and above	hours	10.77

² Reporting boundary of environmental subject area includes Ascletris BioScience Co., Ltd., Ascletris Pharmaceuticals Co., Ltd., Ascletris Biopharmaceutical (Hangzhou) Co., Ltd., Ascletris XinNuo Medicine (Hangzhou) Co., Ltd. and Gannex Pharma Co., Ltd.

³ The calculation standard is referenced to “How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs” from the Stock Exchange and Requirements for Carbon dioxide emission accounting and Reporting Heat production and supply enterprises 《二氧化碳排放核算和報告要求熱力生產和供應業》 issued by Beijing Municipal Ecology and Environment Bureau and Announcement on the Release of the 2022 Power Sector CO2 Emission Factor” 《關於發布 2022 年電力二氧化碳排放因子的公告》 issued by the Ministry of Ecology and Environment of the People’s Republic of China on 26 December, 2024.

⁴ Air emissions from company vehicles.

⁵ This Year the number of pipelines is 13. We completed the existing pipeline review and assessment and made a strategic optimization of resources on 13 pipelines in the Reporting Period.

⁶ The calculation standard is referenced to “Guidelines for Greenhouse Gas Emission Accounting and Reporting for Power Generation Facilities in Enterprises (Revised Edition 2021)” 《企業溫室氣體排放核算方法與報告指南發電設施(2021 年修訂版)》 issued by Ministry of Ecology and Environment of the People Republic of China and “Energy Statistics Manual” from issued by the IEA.

⁷ Gasoline consumption has increased compared to last year because the factory in Shaoxing recorded more gasoline consumption than last year, due to the new daily company vehicles from Hangzhou to Shaoxing.

⁸ During the Reporting Period, the purchased steam has decreased compared to last year, due to the resolution of steam leaks in 2024.

⁹ During the Reporting Period, effective maintenance of the water supply pipeline valves addressed the issue of leaking water waste, and conservation measures during usage were scientifically implemented, resulting in a significant reduction in total water consumption compared to 2023.

¹⁰ During the Reporting Period, total hazardous waste has increased compared to last year, due to an increase in number of pipelines and small-scale production led to an increase in the amount of waste solvents and waste solutions.

¹¹ Total non-hazardous waste decreased compared to last year due to the reduction in the number of employees and production.

¹² Calculation method: no. of departed employees in the specific category / (no. of staff turnover in the specific category + no. of staff in the specific category at the end of the Year) × 100%.

¹³ Calculation method: no. of employees in the specific category who took part in training / no. of employees in the specific category × 100%.

¹⁴ Calculation method: total training hours for employees in the specific category / total no. of employees in the specific category.

Environmental, Social and Governance Report

APPENDIX II: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

Mandatory disclosure requirements

Index content		Relevant sections
Governance Structure	<p>A statement from the board containing the following elements:</p> <p>(i) a disclosure of the board’s oversight of ESG issues;</p> <p>(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and (iii) how the board reviews progress made against ESG related goals and targets with an explanation of how they relate to the issuer’s businesses.</p>	2.3 ESG Structure
Reporting Principles	<p>A description of, or an explanation on, the application of the reporting principles of materiality, quantitative, and consistency in the preparation of the ESG report.</p> <p>Materiality: The ESG report shall disclose: (i) the process to identify and the criteria for the selection of material ESG factors; and (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	1. About the Report
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	1. About the Report

Environmental, Social and Governance Report

Index content

A. Environmental Area

Index content		Relevant sections	
A1: 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.	6. Environmental Protection for a Green World
	A1.1	The types of emissions and respective emissions data.	7. Appendix I: Sustainability Data Statement
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	7. Appendix I: Sustainability Data Statement
	A1.3	Total hazardous waste produced and, where appropriate intensity.	7. Appendix I: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	7. Appendix I: Sustainability Data Statement
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	6.2 Emissions Management
	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.	6.2 Emissions Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6.3 Use of Resources
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	7. Appendix I: Sustainability Data Statement
	A2.2	Water consumption in total and intensity.	7. Appendix I: Sustainability Data Statement
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.3 Use of Resources
	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.	6.3 Use of Resources
	A2.5	Total packaging material used for finished products.	7. Appendix I: Sustainability Data Statement

Environmental, Social and Governance Report

Index content			Relevant sections
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	6. Environmental Protection for a Green World
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Environmental Protection for a Green World
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.	6.4 Combating Climate Change
	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.	6.4 Combating Climate Change
B. Social Area			
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.	5.1 Talent Employment 5.3 Benefits of Employees
	B1.1	Total workforce by gender, employment type, age group and geographical region.	7. Appendix I: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	7. Appendix I: Sustainability Data Statement
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.	5.2 Employee’s Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	7. Appendix I: Sustainability Data Statement
	B2.2	Lost days due to work injury.	7. Appendix I: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2 Employee’s Health and Safety

Environmental, Social and Governance Report

Index content			Relevant sections
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.5 Training and Development of Employees
	B3.1	The percentage of employees trained by gender and employee category.	7. Appendix I: Sustainability Data Statement
	B3.2	The average training hours completed per employee by gender and employee category.	7. Appendix I: Sustainability Data Statement
B4: Labour 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 and forced labour.	5.1 Talent Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Talent Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Talent Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.3 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	4.3 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.	4.3 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.	4.3 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.	4.3 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.	4.1 Product Quality Management 4.2 Product Safety Assurance 4.4 Protection of Patients' Interests
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.2 Product Safety Assurance

Environmental, Social and Governance Report

Index content		Relevant sections	
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Product Safety Assurance 4.4 Protection of Patients' Interests
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	4.1 Product Quality Management 4.2 Product Safety Assurance 4.4 Protection of Patients' Interests
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.4 Protection of Patients' Interests
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.	2.4 Managing Corruption Risks and Promoting Integrity
	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.	2.4 Managing Corruption Risks and Promoting Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	2.4 Managing Corruption Risks and Promoting Integrity
	B7.3	Description of anti-corruption training provided to directors and staff.	2.4 Managing Corruption Risks and Promoting Integrity
B8: Community Investment	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.	4.5 Repaying Community
	B8.1	Focus areas of contribution.	4.5 Repaying Community
	B8.2	Resources contributed to the focus area.	4.5 Repaying Community

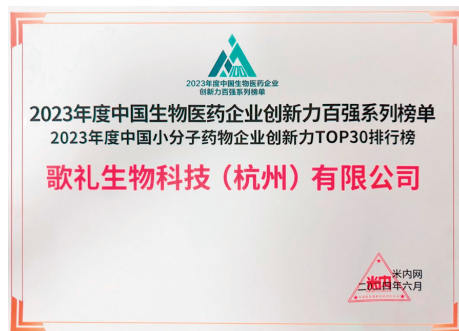
Environmental, Social and Governance Report

APPENDIX III: RELEVANT PICTURES

Awards and Honors of the Year



Top Ten Innovative Technology Companies of 2023 (2023 年度科技創新十強企業)



2023 Annual List of China's Top 100 Innovative Biopharmaceutical Companies–2023 Top 30 Innovative Small Molecule Drug Companies in China (2023 年度中國生物醫藥企業創新力百強系列榜單–2023 年度中國小分子藥物企業創新力 Top30 排行榜)



The 9th Zhitong Caijing Listed Companies – Best Mid-Small Cap Company (第九届智通財經上市公司 – 最佳中小值公司)

Environmental, Social and Governance Report

Health and Safety Trainings



Safety month training



Safety month training



Safety knowledge competition



Environmental, Social and Governance Report

Cultural Events for Employees



Mid-Autumn Festival activities



International Women's Day activities



Annual Meeting activities



11th anniversary activities

Independent Auditor's Report

Independent auditor's report to the members of Ascleitis Pharma Inc.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ascleitis Pharma Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 114 to 180, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

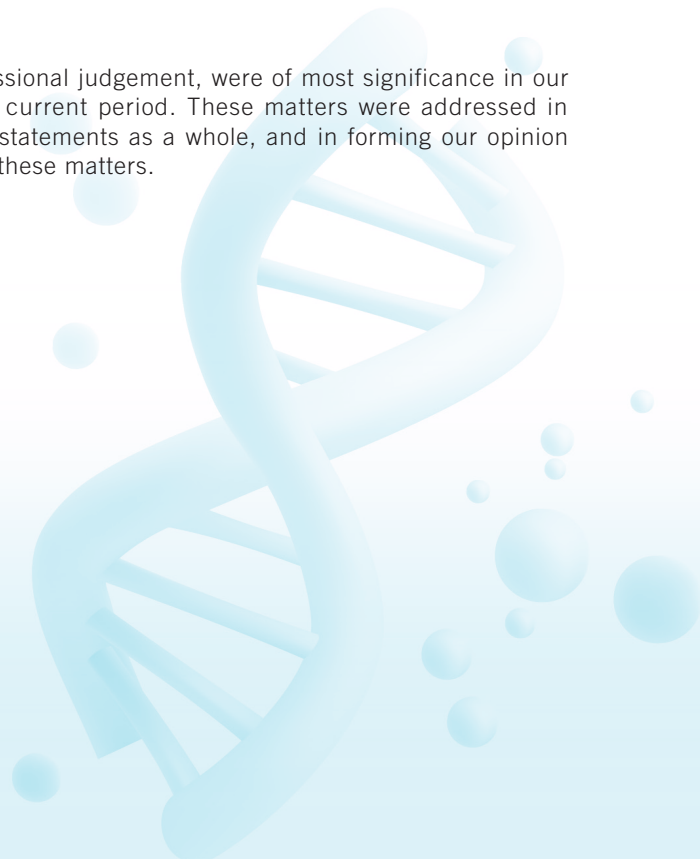
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.



Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Refer to notes 6 to the consolidated financial statements and the accounting policies in note 2(h).

Cut-off of research and development costs

Research and development costs mainly consisted of staff costs, clinical trial expenses, service fees and materials paid to outsourced service providers, which include contract research organizations (“CROs”) and clinical site management operators (“SMOs”).

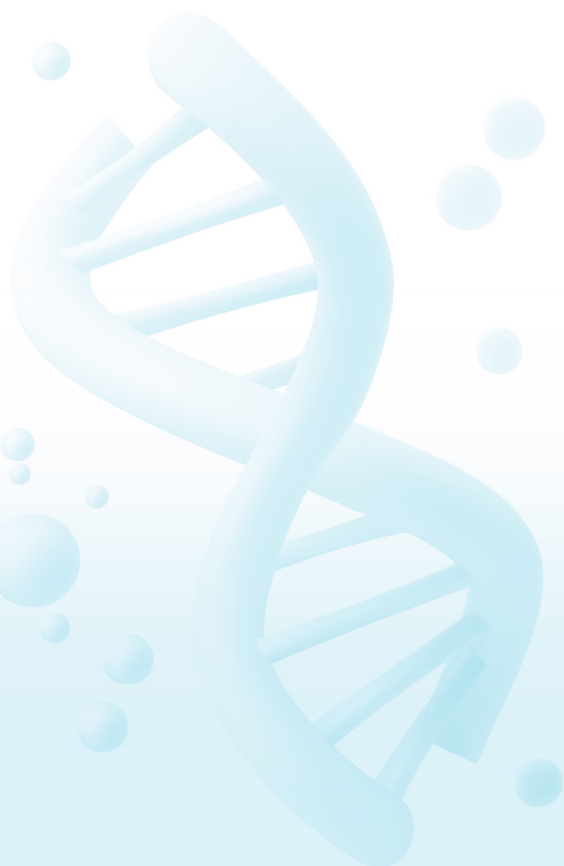
During the year, the Group incurred R&D costs of RMB302,394,000, of which a material portion were service fees to the outsourced service providers.

The R&D activities with these service providers are documented in detailed agreements and are typically carried out over an extended period.

We identified the cut-off of R&D costs paid to outsourced service providers as a key audit matter because of the significant amount incurred during the year.

Our audit procedures to assess cut-off of R&D costs paid to outsourced service providers included the following:

- understanding and evaluating the design and implementation of key internal controls over:
 - the engagement of CROs and SMOs;
 - the management of the progress of the underlying clinical trials;
 - the accounting for related expenses;
- inspecting, the key terms set out in the agreements with the major outsourced service providers, to assess the appropriateness of the accounting treatment with reference to the requirements of the prevailing accounting standards;
- inspecting, on a sample basis, the outsourced service providers' acknowledgement of milestone achieved, invoices and bank payment advices for settled balances and assessed whether the related service fees have been recognised in accordance with the requirement of the prevailing accounting standards;
- re-calculating the accruals for service fees to the outsourced service providers and comparing the recalculated amount with the recorded amount, on a sample basis, based on the progress of related clinical trial activities/milestones achieved, the terms stated in the underlying service agreements and the accumulated amount paid at the end of the year; and
- obtaining confirmations from outsourced service providers to confirm the service fees, progress/milestones achieved, on a sample basis. For unreturned confirmations, comparing service fees paid and payable to outsourced service providers with the underlying service agreements, outsourced service providers' acknowledgement of milestones achieved and invoices.



Independent Auditor's Report

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

The directors are responsible for the other information. The other information comprises all 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. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 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 HKSAAs 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

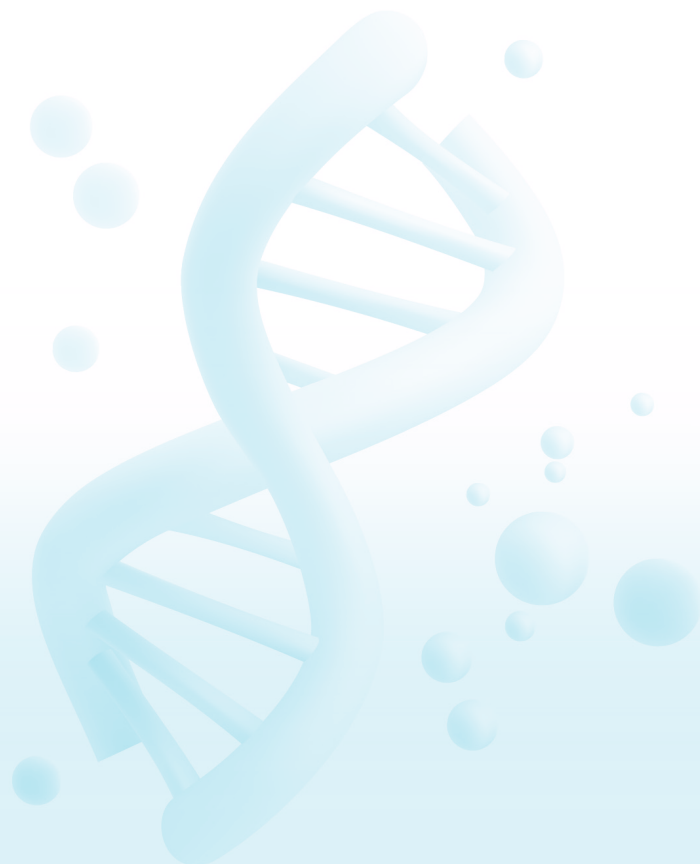
We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

The engagement partner on the audit resulting in this independent auditor's report is Yue Tat Wai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 March 2025



Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

(Expressed in Renminbi)

	Notes	2024 RMB'000	2023 RMB'000
Revenue	4	1,283	56,596
Cost of sales		(548)	(30,606)
Gross profit		735	25,990
Other income and gains	5	119,793	184,650
Selling and distribution expenses		–	(387)
Research and development costs		(302,394)	(216,781)
Administrative expenses		(101,744)	(115,633)
Other expenses		(11,809)	(2,135)
Loss from operations		(295,419)	(124,296)
Finance costs	6	(244)	(144)
Share of the loss of an associate	15	(5,273)	(20,275)
Loss before taxation	6	(300,936)	(144,715)
Income tax	7	–	–
Loss for the year		(300,936)	(144,715)
Attributable to:			
Equity shareholders of the Company		(300,936)	(144,715)
Loss per share			
Basic and diluted	10	RMB(30.05) cents	RMB(13.47) cents

The notes on pages 120 to 180 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024
(Expressed in Renminbi)

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Loss for the year	(300,936)	(144,715)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	987	8
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into the presentation currency	19,573	24,517
Other comprehensive income for the year, net of tax	20,560	24,525
Total comprehensive loss for the year	(280,376)	(120,190)
Attributable to:		
Equity shareholders of the Company	(280,376)	(120,190)
Total comprehensive loss for the year	(280,376)	(120,190)

The notes on pages 120 to 180 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	11	49,249	59,725
Advance payments for property, plant and equipment		130	261
Right-of-use assets	12	7,825	8,552
Other intangible assets	13	12,118	26,315
Investment in an associate	15	–	63,024
Financial assets at fair value through other comprehensive income (“FVOCI”)	16	30,865	–
Financial assets at fair value through profit or loss (“FVPL”)	17	53,526	–
Long-term deferred expenditure		77	376
		153,790	158,253
Current assets			
Inventories	18	4,373	6,071
Trade receivables	19	152	5,432
Financial assets at FVPL	17	7,365	24,829
Prepayments, other receivables and other assets	20	17,762	21,850
Restricted deposits	21	2,368	–
Time deposits	22	1,074,436	1,944,457
Cash and cash equivalents	23	864,326	330,117
		1,970,782	2,332,756
Current liabilities			
Trade payables	24	31	649
Other payables and accruals	25	145,188	132,732
Lease liabilities	26	6,246	5,710
Deferred income	27	1,588	1,588
		153,053	140,679
Net current assets		1,817,729	2,192,077
Total assets less current liabilities		1,971,519	2,350,330

Consolidated Statement of Financial Position

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current liabilities			
Lease liabilities	26	1,387	2,706
Deferred income	27	3,970	5,558
		<u>5,357</u>	<u>8,264</u>
NET ASSETS		<u>1,966,162</u>	<u>2,342,066</u>
CAPITAL AND RESERVES			
Share capital	29(c)	689	731
Reserves		1,965,473	2,341,335
		<u>1,966,162</u>	<u>2,342,066</u>
Total equity attributable to equity shareholders of the Company		<u>1,966,162</u>	<u>2,342,066</u>
TOTAL EQUITY		<u>1,966,162</u>	<u>2,342,066</u>

Approved and authorised for issue by the board of directors on 26 March 2025.

.....
Jinzi Jason Wu
Director

.....
Judy Hejingdao Wu
Director

The notes on pages 120 to 180 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(Expressed in Renminbi)

	Attributable to owners of the Company						Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2023	742	–	2,866,831	666,896	35,105	(1,029,688)	2,539,886
Loss for the year	–	–	–	–	–	(144,715)	(144,715)
Other comprehensive income for the year:							
Exchange differences	–	–	–	–	24,525	–	24,525
Total comprehensive loss for the year	–	–	–	–	24,525	(144,715)	(120,190)
Shares repurchased (note 29(c))	–	(78,961)	–	–	–	–	(78,961)
Shares cancelled (note 29(c))	(11)	27,010	(26,999)	–	–	–	–
Transfer of capital reserve upon the exercise of share options	–	–	3,301	(3,301)	–	–	–
Equity-settled share award and option arrangements (note 28)	–	–	–	1,331	–	–	1,331
At 31 December 2023	731	(51,951)	2,843,133	664,926	59,630	(1,174,403)	2,342,066
	Attributable to owners of the Company						Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2024	731	(51,951)	2,843,133	664,926	59,630	(1,174,403)	2,342,066
Loss for the year	–	–	–	–	–	(300,936)	(300,936)
Other comprehensive income for the year:							
Exchange differences	–	–	–	–	20,560	–	20,560
Total comprehensive loss for the year	–	–	–	–	20,560	(300,936)	(280,376)
Shares repurchased (note 29(c))	–	(98,531)	–	–	–	–	(98,531)
Shares cancelled (note 29(c))	(42)	93,780	(93,738)	–	–	–	–
Transfer of capital reserve upon the exercise of share options	–	–	568	(568)	–	–	–
Equity-settled share award and option arrangements (note 28)	–	–	–	3,003	–	–	3,003
At 31 December 2024	689	(56,702)	2,749,963	667,361	80,190	(1,475,339)	1,966,162

The notes on pages 120 to 180 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(Expressed in Renminbi)

	Notes	2024 RMB'000	2023 RMB'000
Operating activities:			
Cash used in operations	23(b)	(341,579)	(223,795)
Net cash used in operating activities		(341,579)	(223,795)
Investing activities:			
Purchases of items of property, plant and equipment and construction in progress		(2,095)	(6,213)
Proceeds from disposal of items of property, plant and equipment		–	124
Purchases of intangible assets		(53)	(12,945)
Purchases of financial assets at FVPL		(607,519)	(997,222)
Purchases of financial assets at FVOCI		(30,000)	–
Proceeds from sale of financial assets at FVPL		625,363	983,817
Receipt of investment income from financial assets at FVPL		6,079	8,150
Decrease in time deposits		865,991	174,134
Receipt of investment income from financial assets at FVOCI		84	–
Interest received		121,056	79,633
Net cash generated from investing activities		978,906	229,478
Financing activities:			
Capital element of lease rentals paid	23(c)	(4,733)	(2,391)
Interest element of lease rentals paid	23(c)	(244)	(144)
Shares repurchased		(98,531)	(78,961)
Net cash used in financing activities		(103,508)	(81,496)
Net increase/(decrease) in cash and cash equivalents		533,819	(75,813)
Cash and cash equivalents at beginning of year		330,117	403,768
Effect of foreign exchange rate changes		390	2,162
Cash and cash equivalents at end of year		864,326	330,117

Certain comparative figures of cash flow statement have been adjusted to conform to current period's presentation and to provide comparative amounts.

The notes on pages 120 to 180 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office address of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business in China is located in Zhejiang Province.

The Company is an investment holding company. The Company's subsidiaries (together with the Company, referred to as the "Group") are principally engaged in the research and development, production, marketing and sale of pharmaceutical products.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 August 2018.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries and the Group's interest in associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- financial assets at fair value through profit or loss (see note 2(f));
- financial assets at fair value through other comprehensive income (see note 2(f)).

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments")
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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 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.

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 NCI 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 2(j)(ii)), unless it is classified as held for sale.

(e) Investment in an associate

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. An interest in an associate is accounted for using the equity method, unless it is classified as held for sale. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 2(j)(ii)), unless it is classified as held for sale.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30. These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income (OCI). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 2(j)(ii)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Plant and machinery	3 – 10 years
Motor vehicles	4 – 5 years
Office equipment	3 – 5 years
Leasehold improvements	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses (see note 2(j)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

(h) Intangible assets (other than goodwill)

(i) Research and development costs

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

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

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Intangible assets (other than goodwill) (Continued)

(ii) Other intangible assets

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)(ii)). The cost of an intangible asset acquired in a separate acquisition is the cash paid or the fair value of any other consideration given.

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Software	2 – 10 years
Intellectual property	10 – 17 years

Both the period and method of amortization are reviewed annually.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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.

(i) 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 leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, 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. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method (note 2(t)(ii)(a)). 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 as incurred.

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 notes 2(g) and 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(f), 2(t)(ii)(a) and 2(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, 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 lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, 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.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”s) on financial assets measured at amortised cost (including cash and cash equivalent, time deposit, trade receivables and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. 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:

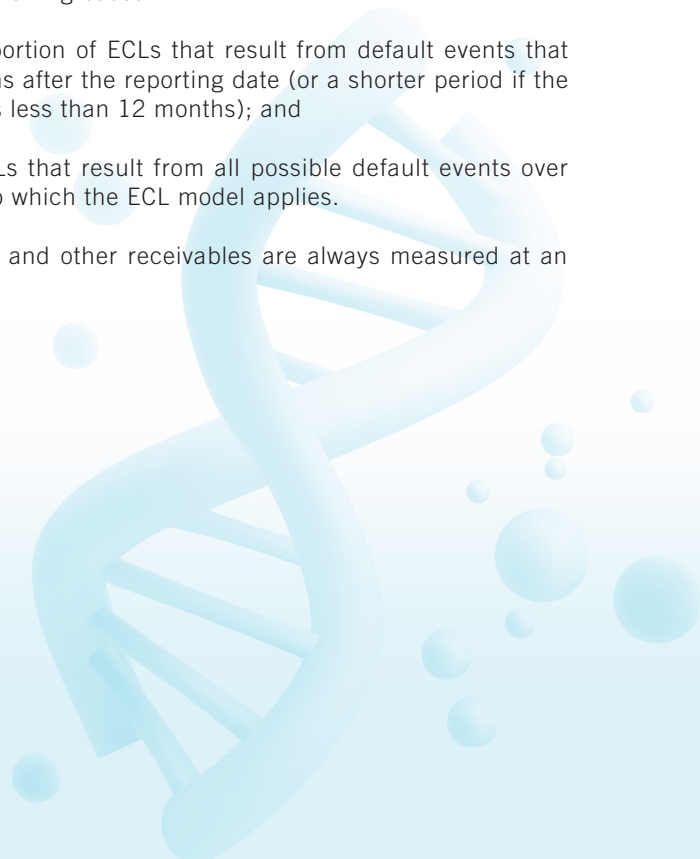
- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible 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 result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and other receivables are always measured at an amount equal to lifetime ECLs.



Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor 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
- the financial asset is 60 days past due.

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, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

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 difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) 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.

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.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (including property, plant and equipment, right-of-use assets, other intangible assets, investment in an associate, construction in progress, investment in a subsidiary in the Company's statement of financial position) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Treasury shares

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

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average 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. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realizable 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.

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 realizable 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.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)(i)). A contract liability is also recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(n)).

(n) 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.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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 expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally 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 conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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 also includes any tax arising from dividends.

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:

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

- 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, associates and joint venture 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;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

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.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a 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.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

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

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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 such as value added tax or other sales taxes.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the products.

(b) Provide Research & Development service (R&D service)

Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation.

(c) License fee income

The Group provides license of its patented intellectual property ("IP") or commercialization license to customers and revenue is recognised when the customers obtain rights to use the underlying IP or license.

For the license which the Group will not undertake any activities that significantly affect the IP to which the customer has rights, the customers obtain a right to use the IP as it exists at the point in time at which the license is granted. The consideration of the contract is recognised as revenue when the customers can use the underlying IP.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Revenue and other income (Continued)

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The 'effective interest rate' is 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). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the statement of financial position initially 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 incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised as income in profit or loss over the useful life of the asset.

(c) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(u) 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.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies (Continued)

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. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, 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 dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(v) Related parties

- (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 Group or the Group's parent.
- (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.

Notes to the Financial Statements

2 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

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

(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 Group or to the Group's parent.

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.

(w) 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 most senior executive management 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.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements:

(i) *Research and development costs*

Research and development costs are expensed in accordance with the accounting policy for research and development costs in note 2(h) to the financial statements. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements regarding to technical feasibility of completing the intangible asset, future economic benefits and so forth.

Notes to the Financial Statements

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty

Notes 28 and 30 contain information about the assumptions and their risk factors relating to fair value of restricted share unit and share options granted and fair value of financial assets. Other key sources of estimation uncertainty are as follows:

(i) *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are included in note 7 to the financial statements.

(ii) *Useful lives of intangible assets*

The Group's finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the patent life. If the Group's estimate of the duration of sale of the product is shorter than the patent life, then the shorter period is used. Additional amortisation is recognised if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at the end of the year based on changes in circumstances.



Notes to the Financial Statements

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Recognised at a point in time:		
– Sale of products	681	51,048
– License fee income	–	2,830
– Others	–	2,718
	681	56,596
Recognised over time:		
– Provide R&D service	602	–
	1,283	56,596

(ii) Information about major customers

In 2024, two customers of the Group with whom transactions have exceeded 10% of the Group's revenues, of which Sagimet Biosciences Inc. ("Sagimet") contributed 53.1%, Northridge Health Group (Hong Kong) Co., Limited ("Northridge") contributed 46.9%, and arose outside Mainland China.

In 2023, two customers of the Group with whom transactions have exceeded 10% of the Group's revenues, of which Customer A contributed 60.4%, Customer B contributed 33.7%, and arose in Mainland China.

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

As at 31 December 2023 and 2024, the remaining performance obligations (unsatisfied or partially unsatisfied) for contracts with customers are part of contracts that have original expected duration of one year or less.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for maternal, infant and child products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of maternal, infant and child products that had an original expected duration of one year or less.

Notes to the Financial Statements

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of customers is based on their operating location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

(i) Revenue from external customers

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Mainland China	–	56,596
Other regions	<u>1,283</u>	<u>–</u>
Total	<u>1,283</u>	<u>56,596</u>

(ii) Non-current assets

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Mainland China	71,941	86,023
United States	<u>5</u>	<u>17</u>
Total	<u>71,946</u>	<u>86,040</u>

Notes to the Financial Statements

5 OTHER INCOME AND GAINS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants (<i>note i</i>)	21,148	6,603
Bank interest income	92,237	99,278
Gain on dilution of interest in associate (<i>note ii</i>)	21,147	60,587
Net loss arising from fair value remeasurement of interest in a former associate (<i>note 15</i>)	(24,546)	–
Net unrealized loss of interest in Sagimet measured at FVPL	(1,653)	–
Net realized and unrealized gains on wealth management products	6,351	8,387
Net realized and unrealized gains on financial assets at FVOCI	949	–
Foreign exchange gain, net	4,149	9,699
Others	11	96
	119,793	184,650

Notes:

- (i) The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities, clinical trials and daily operating activities and capital expenditure incurred on certain projects, and awarding the new drug development.
- (ii) Gain on dilution of interest in associate represents the decrease in interest of Sagimet Bioscience Inc. ("Sagimet") results from the dilution due to the IPO financing and post-IPO financing.

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on lease liabilities	244	144

Notes to the Financial Statements

6 LOSS BEFORE TAXATION (Continued)

(b) Staff costs

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Salaries, wages and other benefits	126,680	136,154
Contribution to defined contribution retirement plans	6,443	6,523
Equity-settled share-based payment expenses	3,003	1,331
	<u>136,126</u>	<u>144,008</u>

(c) Other items

	Notes	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of inventories (<i>note i</i>)	18	9,805	33,382
Cost of services provided		548	–
Depreciation charge:			
– property, plant and equipment	11	12,107	12,601
– right-of-use assets	12	4,677	2,731
Amortisation of intangible assets	13	3,670	3,148
Auditors' remuneration			
– audit services		1,800	1,800
– tax services		122	–
Research and development costs (<i>note ii</i>)		302,394	216,781
Reversal of impairment loss on trade and other receivables	19	(2)	(3)
Impairment of other intangible assets	13	10,579	–
Impairment of prepayment	20	–	1,427
Lawsuit expenses (<i>note iii</i>)		<u>47,017</u>	<u>59,288</u>

Notes:

- (i) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.
- (ii) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.
- (iii) The lawsuit expenses mainly contain lawyer's service fees and provisions recognised related to the litigation disclosed in note 25 and note 32.

Notes to the Financial Statements

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

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

Cayman Islands

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

British Virgin Islands

Under the current laws of the British Virgin Islands (“BVI”), PowerTree Investment (BVI) Ltd. (“PowerTree”) is not subject to tax on income or capital gains. In addition, upon payments of dividends by PowerTree to its shareholder, no BVI withholding tax is imposed.

Hong Kong

Under the current laws of the Hong Kong, the subsidiary in Hong Kong is subject to profits tax at a rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, no provision for profits tax has been made as the subsidiary did not generate any assessable profits in Hong Kong.

United States

Under the current laws of the United States, the subsidiary in the United States is subject to tax at a maximum of 21% (2023: 21%) federal corporate income tax rate and 2.5% (2023: 2.5%) North Carolina state tax rate. During the year, no provision for income tax has been made as the subsidiary did not generate any assessable income in United States.

Australia

Under the current laws of Australia, the subsidiary in the Australia is subject to profits tax at a rate of 30% (2023: 30%). During the year, no provision for income tax has been made as the subsidiary did not generate any assessable income in Australia.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% (2023: 25%) on the taxable income.

Preferential tax treatment is available to Ascletois Pharmaceuticals Co., Ltd. (“Ascletois Pharmaceuticals”) (歌禮藥業(浙江)有限公司) since it was recognised as a High and New Technology Enterprise, and it was entitled to a preferential tax rate of 15% (2023: 15%) during the year.

Notes to the Financial Statements

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

Mainland China (Continued)

Certain subsidiaries in the PRC were entitled to a preferential PRC CIT rate of 5% as it was accredited as small and micro business.

According to the new tax incentive policies promulgated by the State Tax Bureau of Chinese Mainland in March 2023, effective from 1 January 2023, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Loss before taxation	<u>(300,936)</u>	<u>(144,715)</u>
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	(75,449)	(56,523)
Tax effect of non-deductible expenses	830	1,601
Tax effect of unused tax losses not recognised	105,736	77,976
Tax benefit of subsidiaries subject to preferential tax rates (<i>Note 7(a)</i>)	11,062	14,867
Tax effect of super deduction for research and development expenses (<i>Note 7(a)</i>)	<u>(42,179)</u>	<u>(37,921)</u>
Actual tax expense	<u>–</u>	<u>–</u>

Notes to the Financial Statements

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(c) Deferred tax assets and liabilities recognised

- (i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	(830)	830	–
Charged/(credited) to profit or loss	(1,215)	1,215	–
At 31 December 2023 and 1 January 2024	(2,045)	2,045	–
Charged/(credited) to profit or loss	725	(725)	–
At 31 December 2024	(1,320)	1,320	–

- (ii) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,320	2,045
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,320)	(2,045)
	–	–

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognized any deferred tax assets in respect of the following items:

	2024 RMB'000	2023 RMB'000
Tax losses	1,895,741	1,498,924
Deductible temporary differences	190,157	148,542
	2,085,898	1,647,466

It is not probable that future taxable profits against which the tax losses and deductible temporary differences can be utilized will be available in the relevant tax jurisdiction and entity.

Notes to the Financial Statements

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(d) Deferred tax assets not recognised (Continued)

Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	2024 RMB'000	2023 RMB'000
2024	–	112,298
2025	160,064	160,064
2026	315,226	315,226
2027	379,044	379,045
2028	403,937	403,937
2029	356,883	23,977
2030 and thereafter	280,587	104,377
	1,895,741	1,498,924

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2024	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share- based payments RMB'000	Total RMB'000
Executive directors							
Jinzi Jason WU*	–	38,529**	16,606	63	55,198	298	55,496
Judy Hejingdao WU	–	2,453	622	155	3,230	298	3,528
Independent non-executive directors							
Jiong GU	397	–	–	–	397	–	397
Lin HUA	397	–	–	–	397	–	397
Yizhen WEI	397	–	–	–	397	–	397
	1,191	40,982	17,228	218	59,619	596	60,215

Notes to the Financial Statements

8 DIRECTORS' EMOLUMENTS (Continued)

2023	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Sub-Total <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors							
Jinzi Jason WU*	-	14,789**	42,807***	72	57,668	-	57,668
Judy Hejingdao WU	-	2,265	419	170	2,854	-	2,854
Independent non-executive directors							
Jiong GU	385	-	-	-	385	-	385
Lin HUA	385	-	-	-	385	-	385
Yizhen WEI	385	-	-	-	385	-	385
	<u>1,155</u>	<u>17,054</u>	<u>43,226</u>	<u>242</u>	<u>61,677</u>	<u>-</u>	<u>61,677</u>

* Jinzi Jason WU was also the chief executive of the Company during the year.

** During the year, the Group paid a subsidy of RMB30,142,000 (2023: RMB7,382,000) to Jinzi Jason WU to offset against his individual income tax liability (after grossed up for China individual income tax) for his subpart F income in 2024 which was derived from the bank interest generated by the Group. He is the citizen of the United States of America ("USA") and pursuant to the USA Internal Revenue Code Section 951, if a foreign corporation is a controlled foreign corporation at any time during any taxable year, and any of the shareholders of such corporation is the citizen of the USA, such shareholder shall include in his gross income his pro rata shares of the corporation's subpart F income for the year, even though such corporation has not paid such shareholder any dividends.

*** The discretionary year-end performance bonus of executive directors were based on their performance appraisal results in accordance with the Company's remuneration policy. During the year ended 31 December 2023, the Group grants a performance bonus of USD5,000,000 (equivalent to RMB35,394,000) to Jinzi Jason WU based on his outstanding performance appraisal results in accordance with the Company's remuneration policy.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. There was no payment to any of the directors or the individuals with highest emoluments (as disclosed in note 9) as an inducement to join or upon joining the Group or as compensation for loss of any office during the year ended 31 December 2023 and 2024.

Notes to the Financial Statements

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group, two (2023: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining three (2023: three) individual are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Salaries, allowance, and benefits-in-kind	5,565	7,417
Discretionary bonuses	1,342	1,041
Retirement scheme contributions	237	266
Equity-settled share-based payment expenses (<i>Note 29</i>)	941	1,365
	8,085	10,089

The emoluments of the individuals who are not directors and with the highest emoluments are within the following bands:

	Number of employees	
	2024	2023
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
	3	3

10 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB300,936,000 (2023: RMB144,715,000), and the weighted average number of ordinary shares of 1,001,588,704 (2023: 1,074,103,460) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2024	2023
Issued ordinary shares at 1 January	1,042,721,000	1,087,134,000
Effect of shares repurchased (<i>note 29(c)</i>)	(41,132,296)	(13,030,540)
Weighted average number of ordinary shares at 31 December	1,001,588,704	1,074,103,460

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2024 in respect of a dilution as the impact of the share award had an anti-dilutive effect on the basic loss per share amounts presented.

Notes to the Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2023	103,221	3,295	15,025	2,873	–	124,414
Additions	1,773	–	2,622	–	839	5,234
Transfers in/(out) from construction in progress	839	–	–	–	(839)	–
Disposals	(8)	(351)	(291)	–	–	(650)
Exchange adjustments	–	–	2	–	–	2
At 31 December 2023 and 1 January 2024	<u>105,825</u>	<u>2,944</u>	<u>17,358</u>	<u>2,873</u>	<u>–</u>	<u>129,000</u>
Additions	477	–	1,493	–	–	1,970
Transfers in/(out) from construction in progress	–	–	–	–	–	–
Disposals	(553)	(2)	(166)	–	–	(721)
Exchange adjustments	–	–	1	–	–	1
At 31 December 2024	<u>105,749</u>	<u>2,942</u>	<u>18,686</u>	<u>2,873</u>	<u>–</u>	<u>130,250</u>
Accumulated depreciation and impairment:						
At 1 January 2023	(42,419)	(3,176)	(9,485)	(2,221)	–	(57,301)
Depreciation charge for the year	(9,860)	(5)	(2,174)	(562)	–	(12,601)
Written back on disposals	6	337	285	–	–	628
Exchange adjustments	–	–	(1)	–	–	(1)
At 31 December 2023 and 1 January 2024	<u>(52,273)</u>	<u>(2,844)</u>	<u>(11,375)</u>	<u>(2,783)</u>	<u>–</u>	<u>(69,275)</u>
Depreciation charge for the year	(10,080)	–	(1,937)	(90)	–	(12,107)
Written back on disposals	229	2	151	–	–	382
Exchange adjustments	–	–	(1)	–	–	(1)
At 31 December 2024	<u>(62,124)</u>	<u>(2,842)</u>	<u>(13,162)</u>	<u>(2,873)</u>	<u>–</u>	<u>(81,001)</u>
Net book value:						
At 31 December 2024	<u>43,625</u>	<u>100</u>	<u>5,524</u>	<u>–</u>	<u>–</u>	<u>49,249</u>
At 31 December 2023	<u>53,552</u>	<u>100</u>	<u>5,983</u>	<u>90</u>	<u>–</u>	<u>59,725</u>

Notes to the Financial Statements

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Office premises and staff dormitories RMB'000
Cost:	
At 1 January 2023	13,199
Additions	6,570
At 31 December 2023 and 1 January 2024	19,769
Additions	3,950
Disposals	(5,987)
At 31 December 2024	17,732
Accumulated depreciation:	
At 1 January 2023	(8,486)
Charge for the year	(2,731)
At 31 December 2023 and 1 January 2024	(11,217)
Charge for the year	(4,677)
Disposals	5,987
At 31 December 2024	(9,907)
Net book value:	
At 31 December 2024	7,825
At 31 December 2023	8,552

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	244	144
Depreciation charge of right-of-use assets	4,677	2,731
Expense relating to short-term leases	128	151

The Group leases various office buildings and warehouses in the PRC. The Group has obtained the right to use properties through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

Notes to the Financial Statements

13 OTHER INTANGIBLE ASSETS

	Intellectual property RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2023	132,130	9,988	142,118
Additions (<i>note i</i>)	12,542	362	12,904
Exchange adjustments	413	–	413
At 31 December 2023 and 1 January 2024	<u>145,085</u>	<u>10,350</u>	<u>155,435</u>
Additions	–	52	52
Exchange adjustments	<u>370</u>	<u>–</u>	<u>370</u>
31 December 2024	<u>145,455</u>	<u>10,402</u>	<u>155,857</u>
Accumulated amortisation and impairment:			
At 1 January 2023	(119,905)	(5,654)	(125,559)
Charge for the year	(1,451)	(1,697)	(3,148)
Exchange adjustments	(413)	–	(413)
At 31 December 2023 and 1 January 2024	<u>(121,769)</u>	<u>(7,351)</u>	<u>(129,120)</u>
Charge for the year	(2,076)	(1,594)	(3,670)
Impairment loss for the year (<i>note ii</i>)	(10,579)	–	(10,579)
Exchange adjustments	(370)	–	(370)
At 31 December 2024	<u>(134,794)</u>	<u>(8,945)</u>	<u>(143,739)</u>
Net book value:			
At 31 December 2024	<u>10,661</u>	<u>1,457</u>	<u>12,118</u>
At 31 December 2023	<u>23,316</u>	<u>2,999</u>	<u>26,315</u>

Notes:

- (i) Addition of intellectual property

In July 2019, the Group entered into an agreement with Sagimet Biosciences Company Limited, associate of the Group, to acquire an exclusive right to develop and commercialise right a drug product in the Greater China region.

The consideration payable by the Group comprises several development milestone payments and royalties based upon future sales. In August 2023, a development milestone payment of USD2,000,000 (equivalent to RMB13,553,000) paid by the Group upon the confirmation between two parties of the first patient enrollment of Phase III clinical trial and the payment was recognised as an intangible asset.

- (ii) Impairment of intellectual property

During the year ended 31 December 2024, an impairment loss of RMB10,579,000 was recognised in the consolidated statement of profit or loss as other expense. The recoverable amount of the intellectual property was assessed to be zero since the related R&D project was terminated and the management estimated there is no other use.

Notes to the Financial Statements

14 INVESTMENTS IN SUBSIDIARIES

(a) Information about subsidiaries:

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place and date of incorporation/registration and place of business	Particulars of registered and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PowerTree	British Virgin Islands 13 January 2011	United States dollars ("US\$") 102	100%	–	Investment holding
AP11 Limited	British Virgin Islands 20 November 2018	US\$103	100%	–	Investment holding
Asclepis Pharma (China) Co., Limited (歌禮製藥(中國)有限公司)	Hong Kong 15 March 2018	US\$80,050,254.04	–	100%	Investment holding
SoundRidge Pharmaceuticals (Hong Kong) Co., Limited	Hong Kong 23 April 2019	US\$28,015,012.75	–	100%	Investment holding
Gannex Pharma Co., Ltd. ("Gannex Pharma") (甘萊製藥有限公司) ^{(a) (b)}	People's Republic of China/Mainland China 3 September 2019	US\$28,000,000/ US\$8,000,000	–	100%	Manufacture, and research and development of pharmaceutical products
Asclepis BioScience Co., Ltd. ("Asclepis BioScience") (歌禮生物科技(杭州)有限公司) ^{(a) (b)}	People's Republic of China/Mainland China 26 April 2013	US\$180,600,162/ US\$180,600,162	–	100%	Research, development and commercialisation of pharmaceutical products
Asclepis Pharmaceuticals ^(b)	People's Republic of China/Mainland China 24 September 2014	Renminbi ("RMB") 411,002,100	–	100%	Manufacture, commercialisation, and research and development of pharmaceutical products
Asclepis Biopharmaceutical (Hangzhou) Co., Ltd. ("Asclepis Biopharma") (歌禮生物製藥(杭州)有限公司) ^(a)	People's Republic of China/Mainland China 19 April 2018	RMB50,000,000/ RMB43,590,800	–	100%	Research, development and commercialisation of pharmaceutical products
Asclepis XinNuo Medicine (Hangzhou) Co., Ltd. ("Asclepis XinNuo") (歌禮欣諾醫藥(杭州)有限公司) ^{(a) (b)}	People's Republic of China/Mainland China 24 July 2018	RMB15,800,000/ RMB5,000,000	–	100%	Sale of pharmaceutical products
Gannex, LLC	United States/Delaware 30 October 2020	US\$5,000,000	–	100%	Research and development
Asclepis (Australia) Pty., Ltd.	Australia/ South Melbourne 8 March 2022	AUD1,000	100%	–	Research and development

Notes to the Financial Statements

14 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Information about subsidiaries: (Continued)

Notes:

- (i) These entities are registered as wholly-foreign-owned enterprises under People's Republic of China ("PRC") law.
- (ii) These entities are limited liability enterprises established under PRC law.
- (iii) The entity plans to dissolve in 2025.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

(b) The carrying amount of Interest in subsidiaries is listed below:

	2024 RMB'000	2023 RMB'000
Investment in subsidiaries, at cost	1,738,933	1,713,222
Deemed investments arising from share-based transactions	29,671	26,276
	1,768,604	1,739,498

15 INVESTMENT IN AN ASSOCIATE

The following list contains the associates of the Group:

Name	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Sagimet (note i)	Incorporated	United States of America	32,195,345 ordinary shares	–	5.14%	Research and development of pharmaceutical products

Notes:

- (i) Sagimet (NASDAQ: SGMT) officially listed on NASDAQ in July 2023 and the fair value of the investment in Sagimet is USD7,446,000 (equivalent to approximately RMB53,526,000) at the end of the year.
- (ii) The Group's shareholding in Sagimet comprise equity shares held through a wholly-owned subsidiary of the Company.

Notes to the Financial Statements

15 INVESTMENT IN AN ASSOCIATE (Continued)

Notes: (Continued)

(iii) On 5 June 2024, Dr. Wu's service as a member of the board of Sagimet ended effectively as of the Annual Meeting of Stockholders of Sagimet, and in accordance with the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of Sagimet, the Group no longer has the right to appoint directors to the board of Sagimet. Therefore, the directors of the Company are in the view that the Group lost significant influence on Sagimet on 5 June 2024. The Group ceased to account for the equity interest in Sagimet under equity method and recognized a loss of RMB24,546,000 in the consolidated statements of profit or loss, which represented the difference between the fair value of the retained interest and the carrying amount of the investment at the date on which significant influence was lost. Since the loss of significant influence on Sagimet, the Group recognized the equity interest in Sagimet as a financial asset measured at fair value through profit or loss.

Summarised financial information of Sagimet, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Gross amounts of the associate		
Current assets	–	684,325
Non-current assets	–	683,614
Current liabilities	–	39,031
Non-current liabilities	–	203,837
Net Assets	–	1,125,071
Revenue	–	13,553
Loss from continuing operations	–	235,620
Other comprehensive income	–	–
Total comprehensive loss	–	235,620
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	–	1,125,071
Group's effective interest	–	7.23%
Group's share of net assets of the associate	–	81,323
Goodwill (<i>note i</i>)	–	20,305
The impact of fair value of adjustment at the time of acquisition	–	(38,604)
Unrealised gain on dilution of interest in associate	–	–
Carrying amount in the consolidated financial statements	–	63,024
Group's share of Sagimet's		
Loss from continuing operations	(5,273)	(20,275)
Other comprehensive income	–	–
Total comprehensive income	(5,273)	(20,275)

Notes to the Financial Statements

15 INVESTMENT IN AN ASSOCIATE (Continued)

Notes:

- (i) The change of goodwill was mainly due to the difference of foreign exchange rate and the dilution of the interest of Sagimet.
- (ii) Figures were quoted from the financial information disclosed by Sagimet, as at 31 December 2023, taking into account adjustments based on fair value at the time of investments. Sagimet is no longer an associate of the Group from 5 June 2024.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Transferable certificate of deposit	<u>30,865</u>	<u>–</u>

Transferable certificate of deposit is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Therefore, the management of the Group classified the transferable certificate of deposit as financial assets at fair value through other comprehensive income.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 30.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current		
Financial assets at FVPL		
– Listed equity securities	<u>53,526</u>	<u>–</u>
Current		
Financial assets at FVPL		
– Wealth management products	<u>7,365</u>	<u>24,829</u>

Notes:

- (i) The Group's non-current balances of financial assets at FVPL represent investments in equity securities listed on the NASDAQ which have been transferred from investment in an associate due to the remeasurement of the interest in Sagimet as disclosed in Note 15.
- (ii) Wealth management products are issued by commercial banks and other financial institutions with its idle funds. These products generally have a pre-set maturity and expected return, with its underlying assets being a wide range of government and corporate bonds, central bank bills, money market funds as well as other listed securities in the PRC. The Group evaluates these products on a fair value basis in accordance with the accounting policy set out in Note 2(f).

Notes to the Financial Statements

18 INVENTORIES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Raw materials	4,373	5,667
Work in progress	–	404
	<u>4,373</u>	<u>6,071</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Carrying amount of inventories sold	–	8,104
Carrying amount of inventories recognised as research and development expenses	4,509	2,776
Write down of inventories	5,296	22,502
	<u>9,805</u>	<u>33,382</u>

19 TRADE RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	152	5,434
Impairment	–	(2)
	<u>152</u>	<u>5,432</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the before mentioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 3 months	152	–
3 to 6 months	–	–
6 to 12 months	–	5,432
	<u>152</u>	<u>5,432</u>

Notes to the Financial Statements

19 TRADE RECEIVABLES (Continued)

The movement in the loss allowance for impairment of trade receivables is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
At beginning of year	2	5
Reversal of impairment, net	<u>(2)</u>	<u>(3)</u>
At end of year	<u>–</u>	<u>2</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024, the loss allowance for trade receivables was assessed to be minimal.

As at 31 December 2023

	Current	Past due			Total
		Less than 3 months	3 to 6 months	Over 6 months	
Expected credit loss rate	0.03%	–	–	–	0.03%
Gross carrying amount (<i>RMB'000</i>)	5,434	–	–	–	5,434
Expected credit losses (<i>RMB'000</i>)	2	–	–	–	2

20 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Value-added tax recoverable	9,111	14,277
Deposits and other receivables	4,990	3,843
Cash in transit	1,404	–
Prepayments	1,248	4,131
Prepaid expenses	1,009	1,026
Impairment	–	(1,427)
	<u>17,762</u>	<u>21,850</u>

Notes to the Financial Statements

20 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Note:

Other receivables mainly represent rental and other deposits. An impairment analysis is performed at each reporting date by applying an expected credit loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions. As at 31 December 2024 and 2023, the expected credit loss rate was close to zero.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

21 RESTRICTED DEPOSITS

As of 31 December 2024, restricted deposits comprise certain pledged deposits held at the bank arising from a commercial dispute, which was subsequently resolved on 21 January 2025.

22 TIME DEPOSITS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Time deposits held at the bank	<u>1,074,436</u>	<u>1,944,457</u>

As at 31 December 2024, the time deposits held at the bank have annual interest rate ranging from 2.9% to 5.5% (2023: 1.8% to 5.7%).

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cash in hand	11	11
Cash at bank	<u>866,683</u>	<u>330,106</u>
	866,694	330,117
Less: restricted deposits (<i>note 21</i>)	<u>2,368</u>	–
Cash and cash equivalents	<u>864,326</u>	<u>330,117</u>

As at 31 December 2024, cash and cash equivalents of the Group situated in Chinese Mainland amounted to RMB253,016,000 (2023: RMB327,737,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

Notes to the Financial Statements

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of loss before taxation to cash used in operations:

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Loss before tax		(300,936)	(144,715)
Adjustments for:			
Finance costs	6(a)	244	144
Share of the loss of an associate	15	5,273	20,275
Gain on dilution of interest in associate	5	(21,147)	(60,587)
Bank interest income	5	(92,237)	(99,278)
Investment income from financial assets at FVPL	5	(6,351)	(8,387)
Foreign exchange gain	5	(5,430)	(9,646)
Investment income from financial assets at FVOCI	5	(949)	–
Net loss arising from fair value remeasurement of interest in a former associate	5	24,546	–
Changes in fair value of financial assets at FVPL (Gain)/loss on disposal of items of property, plant and equipment	5	1,653	–
Depreciation of property, plant and equipment	6(c)	12,107	12,601
Depreciation of right-of-use assets	6(c)	4,677	2,731
Amortisation of intangible assets	6(c)	3,670	3,148
Amortisation of long-term deferred expenditure		299	298
Write-down of inventories to net realisable value	6(c)	5,296	22,502
Reversal of impairment of trade receivables	19	(2)	(3)
Impairment of other intangible assets	6(c)	10,579	–
Impairment of prepayment	20	–	1,427
Equity-settled share award and option expense	28	3,003	1,331
Changes in working capital:			
Increase in inventories		(3,598)	(8,054)
Decrease in long-term deferred expenditure		–	24
Decrease in trade receivables		5,282	18,444
Decrease/(increase) in prepayments, other receivables and other assets		4,088	(4,977)
Increase in restricted deposits		(2,368)	–
Decrease in trade payables		(618)	(2,486)
Increase in other payables and accruals		12,589	33,089
Decrease in deferred income		(1,588)	(1,588)
Cash used in operations		(341,579)	(223,795)

Notes to the Financial Statements

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) 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 cash flow statements as cash flows from financing activities.

	Lease liabilities	
	2024	2023
	RMB'000	RMB'000
At 1 January	<u>8,416</u>	4,237
Changes from financing cash flows:		
Capital element of lease rentals paid	(4,733)	(2,391)
Interest element of lease rentals paid	(244)	(144)
Total changes from financing cash flows	<u>(4,977)</u>	(2,535)
Other changes:		
Increase in lease liabilities from entering into new leases during the year (<i>Note 12</i>)	3,950	6,570
Interest expenses (<i>Note 6(a)</i>)	244	144
Total other changes	<u>4,194</u>	6,714
At 31 December	<u>7,633</u>	8,416

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024	2023
	RMB'000	RMB'000
Within operating activities	128	151
Within financing activities	4,977	2,535
	<u>5,105</u>	2,686

Notes to the Financial Statements

24 TRADE PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	<u>31</u>	<u>649</u>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	31	644
3 to 12 months	–	5
	<u>31</u>	<u>649</u>

The trade payables are non-interest-bearing, and all trade payables are expected to be settled within one year or are repayable on demand.

25 OTHER PAYABLES AND ACCRUALS

	Note	2024 RMB'000	2023 RMB'000
Other payables	(i)	45,737	40,860
Accrued expenses		66,002	34,009
Payroll payable		13,715	56,141
Provisions	(ii)	15,265	–
Taxes other than income tax		4,078	1,722
Contract liabilities		391	–
		<u>145,188</u>	<u>132,732</u>

Notes:

(i) Other payables are non-interest-bearing.

(ii) Provisions primarily include:

In March 2024, Ascleitis Pharmaceuticals Co., Ltd. (歌禮藥業(浙江)有限公司), a subsidiary of the Company was involved in arbitration proceedings initiated by Fujian Cosunter Pharmaceutical Co., Ltd. (福建廣生堂藥業股份有限公司) and Fujian Guangsheng Zhonglin Biotechnology Co., Ltd. (福建廣生堂中霖生物科技有限公司) (together “Claimants”), two pharmaceutical companies with related relationship in China, due to commercial contracts dispute on ritonavir tablets sales and ritonavir non-exclusive license.

On 10 March 2025 the arbitration tribunal issued a final ruling requiring the Group to compensate the Claimants and the Group recognised a provision of RMB11,227,000.

A monetary sanction of USD567,000 (equivalent to approximately RMB4,038,000) related to the litigation disclosed in note 32.

(iii) All of the other payables are expected to be settled within one year or repayable on demand.

Notes to the Financial Statements

26 LEASE LIABILITIES

At 31 December 2024 and 2023, the lease liabilities were repayable as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 year	6,246	5,710
After 1 year but within 2 years	1,387	2,706
	<u>7,633</u>	<u>8,416</u>

27 DEFERRED INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants		
Current	1,588	1,588
Non-current	3,970	5,558
	<u>5,558</u>	<u>7,146</u>

The movements in government grants during the year are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
At beginning of year	7,146	8,734
Amount released	<u>(1,588)</u>	<u>(1,588)</u>
At end of year	<u>5,558</u>	<u>7,146</u>

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, awards for its new drug development and capital expenditure incurred on certain projects.

Notes to the Financial Statements

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Restricted Stock Unit Option Incentive Scheme

The shareholder of the Company, JJW11 Limited, adopted a Restricted Stock Unit Option Incentive Scheme on 8 August 2018 (the “Scheme”). The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include senior management members who serve as directors, supervisors, presidents, vice presidents, financial managers and board secretaries at the Group as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group.

Subject to any early termination as may be determined by the board of directors in accordance with the rules of the Scheme, the Scheme shall be valid and effective for a term of twelve years commencing on 8 August 2018 (the “Adoption Date”).

The director of JJW11 Limited (or its authorised person) (the “Option Manager”) shall have the full and absolute management right over the operation of the Scheme, including, but not limited to, the absolute discretion in matters such as the grant, vesting, exercise, cancellation and validity period of options.

The grantees shall only be entitled to the property rights expressly specified in the Scheme in relation to the restricted stock units acquired from the exercise of their options, and shall not be entitled to any voting rights or any other shareholders’ rights of JJW11 Limited and the Company. The Option Manager shall have the absolute right to exercise the voting rights attached to the Company’s shares held by JJW11 Limited and any other shareholders’ rights on behalf of JJW11 Limited.

Options granted to the grantees shall not be exercised within 3 years from the date of signing the option incentive agreement under the Scheme. 60% of the options granted shall become exercisable by the grantees between 3 years (inclusive of the 3rd anniversary) and 4 years (exclusive of the 4th anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; 80% of the options granted shall become exercisable by the grantees between 4 years (inclusive of the 4th anniversary) and 5 years (exclusive of the 5th anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of corresponding number of restricted stock units; 100% of the options granted shall become exercisable by the grantees after 5 years (inclusive of the 5th anniversary) from the date of signing the option incentive agreement under the Scheme for the purchase of the corresponding number of restricted stock units.

The option exercise price shall be agreed in writing at the time the grantees sign the option incentive agreement with JJW11 Limited, and the grantees may choose (a) to settle at the option exercise price at the point when the options are exercised, and request the Option Manager to continue to manage the underlying restricted stock units associated with the exercised options, or (b) to deduct the option exercise price from the proceeds from the transfer of the underlying shares of the Company immediately following the exercise of the options.

Notes to the Financial Statements

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Restricted Stock Unit Option Incentive Scheme (Continued)

The following restricted stock unit options were outstanding under the Scheme during the year:

	2024		2023	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January	3.2807	942	3.2807	1,140
Granted during the year	–	–	–	–
Exercised during the year	3.2807	(225)	3.2807	(60)
Forfeited during the year	–	–	3.2807	(138)
At 31 December	3.2807	717	3.2807	942

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2024

Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
264	3.2807	2022/10/8-2031/10/7
453	3.2807	2023/3/31-2032/3/30
717		

2023

Number of options <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
264	3.2807	2022/10/8 – 2031/10/7
678	3.2807	2023/3/31 – 2032/3/30
942		

The fair value of the options granted during the year was nil (2023: nil), the Group recognized a share option expense of RMB217,000 during the year ended 31 December 2024 (2023: reversed a share option expense of RMB15,000 due to the forfeit of the share option).

Notes to the Financial Statements

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Restricted Stock Unit Option Incentive Scheme (Continued)

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

	2020
Dividend yield (%)	0.00
Expected volatility (%)	82.22
Risk-free interest rate (%)	0.77
Early exercise multiple	2.20 – 2.80
Weighted average share price (HK\$ per share)	2.90
Forfeiture rate (%)	0.00

No other feature of the options granted was incorporated into the measurement of fair value.

Share Option Scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) on 6 June 2019 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company’s shareholders, and any non-controlling shareholder in the Company’s subsidiaries. The Share Option Scheme became effective on 6 June 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum aggregate number of unexercised share options currently permitted to be granted under the Share Option Scheme or any new share option scheme (the “New Scheme”) is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting. Notwithstanding the foregoing, the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

Notes to the Financial Statements

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share Option Scheme (Continued)

The Share Option Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a Grantee is required to achieve before an option may be exercised. The board of the Company may specify in the offer letter any conditions which must be satisfied before the option may be exercised, including, without limitation, such performance targets (if any) and minimum periods for which an option must be held before it can be exercised and any other terms in relation to the exercise of the option, including, without limitation, such percentages of the options that can be exercised during a certain period of time, as the board of the Company may determine from time to time.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of the shares. No consideration is required upon acceptance of the grant of options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

	2024		2023	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January	2.70 – 5.51	5,146	2.70 – 5.51	7,097
Granted during the year	1.45	6,300	–	–
Forfeited during the year	1.45 – 5.51	(980)	2.70 – 4.74	(1,951)
At 31 December	1.45 – 3.93	10,466	2.70 – 5.51	5,146

Notes to the Financial Statements

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Share Option Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2024

Number of options '000	Exercise price HK\$ per share	Exercise period
400	2.70	2022/9/30 – 2031/9/29
2,066	2.90	2021/3/31 – 2030/3/30
2,100	3.93	2023/6/30 – 2032/6/29
5,900	1.45	2025/1/03 – 2034/1/02
10,466		

2023

Number of options '000	Exercise price HK\$ per share	Exercise period
2,066	2.90	2021/3/31 – 2030/3/30
400	2.89	2022/4/7 – 2031/4/6
480	2.70	2022/9/30 – 2031/9/29
100	5.51	2023/3/31 – 2032/3/30
2,100	3.93	2023/6/30 – 2032/6/29
5,146		

6,300,000 share options was granted during the year (2023: Nil), the Group recognised a share option expense of RMB2,786,000 (2023: RMB1,346,000) during the year ended 31 December 2024.

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

	2024
Dividend yield (%)	0.00
Expected volatility (%)	73.00
Risk-free interest rate (%)	3.36
Early exercise multiple	2.20 – 2.80
Weighted average share price (HK\$ per share)	1.30
Forfeiture rate (%)	0.00

No other feature of the options granted was incorporated into the measurement of fair value.

Notes to the Financial Statements

29 CAPITAL, RESERVES AND DIVIDENDS

(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. 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:

	Share capital RMB'000	Treasury shares RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	742	-	2,866,831	22,522	102,937	93,440	3,086,472
Income for the year	-	-	-	-	-	42,160	42,160
Other comprehensive loss for the year:							
Exchange differences	-	-	-	-	53,499	-	53,499
Total comprehensive income for the year	-	-	-	-	53,499	42,160	95,659
Shares repurchased	-	(78,961)	-	-	-	-	(78,961)
Shares cancelled	(11)	27,010	(26,999)	-	-	-	-
Transfer of capital reserve upon the exercise of share options	-	-	3,301	(3,301)	-	-	-
Equity-settled share award and option arrangements (note 28)	-	-	-	1,331	-	-	1,331
At 31 December 2023	<u>731</u>	<u>(51,951)</u>	<u>2,843,133</u>	<u>20,552</u>	<u>156,436</u>	<u>135,600</u>	<u>3,104,501</u>
At 1 January 2024	731	(51,951)	2,843,133	20,552	156,436	135,600	3,104,501
Income for the year	-	-	-	-	-	50,086	50,086
Other comprehensive loss for the year:							
Exchange differences	-	-	-	-	45,533	-	45,533
Total comprehensive income for the year	-	-	-	-	45,533	50,086	95,619
Shares repurchased	-	(98,531)	-	-	-	-	(98,531)
Shares cancelled	(42)	93,780	(93,738)	-	-	-	-
Transfer of capital reserve upon the exercise of share options	-	-	568	(568)	-	-	-
Equity-settled share award and option arrangements (note 28)	-	-	-	3,003	-	-	3,003
At 31 December 2024	<u>689</u>	<u>(56,702)</u>	<u>2,749,963</u>	<u>22,987</u>	<u>201,969</u>	<u>185,686</u>	<u>3,104,592</u>

Notes to the Financial Statements

29 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

The board does not recommend the payment of any dividend in respect for the year ended 31 December 2024 (2023: Nil).

(c) Share capital

(i) Issued share capital

	2024		2023	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
Ordinary shares, issued and fully paid:				
At 1 January	1,072,739	731	1,087,134	742
Shares cancelled (<i>note ii</i>)	(59,981)	(42)	(14,395)	(11)
At 31 December	1,012,758	689	1,072,739	731

The par value of the ordinary shares of the Company is US\$0.0001 each.

(ii) Repurchase and cancellation of shares

During the year, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased (‘000)	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid RMB’000
January 2024	21,813	1.76	1.24	28,967
February 2024	8,150	1.90	1.56	12,856
July 2024	11,468	1.22	0.90	11,636
September 2024	13,888	1.08	0.83	12,462
October 2024	12,559	1.47	1.23	15,593
November 2024	6,924	1.80	1.39	10,109
December 2024	3,202	3.14	1.56	6,908
	78,004			98,531

Notes:

(a) Purchase and cancellation of own shares

In 2024, the Company repurchased 78,004,000 of its shares on the Stock Exchange for a total cash consideration of HK\$107,834,000 (equivalent to approximately RMB98,531,000). In the same year, the Company cancelled 59,981,000 shares on 4 January 2024 and 5 March 2024 (equivalent to approximately RMB93,780,000).

In 2023, the Company repurchased 44,413,000 of its shares on the Stock Exchange for a total cash consideration of HK\$86,194,000 (equivalent to approximately RMB78,961,000). In the same year, the Company cancelled 14,395,000 shares on 15 August 2023 (equivalent to approximately RMB27,010,000).

Notes to the Financial Statements

29 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) *Share premium*

The share premium represents the difference between the par value of the ordinary shares of the Company and proceeds received from the issue of the ordinary shares of the Company. Under the Cayman Companies Act, the share premium account of the Company is distributable to the ordinary shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) *Capital reserve*

The capital reserve comprises the following:

- reserve arose from financing and reorganization before initial public offering;
- the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(ii).

(iii) *Exchange fluctuation reserve*

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not the RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(e) 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.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders return, taking into consideration the future of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows and projected capital expenditures.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, new debt financing or the redemption of existing debt. The Group made no changes to its capital management objectives, policies or processes during the current and prior years.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and currency risk arises in the normal course of the Group's business. 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 obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables.

The Group's exposure to credit risk arising from cash and bank balances, restricted deposits and time deposits is limited because the counterparties are reputable banks, for which the Group considered to present low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

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. Normally, the Group does not obtain collateral from customers.

Further analysis in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 19 and 20 to the financial statements, respectively.

The Group assesses the credit quality of the counterparties by taking into account their financial position, the past loss experience, existing market conditions as well as forward looking information at the end of the reporting period.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions 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 (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:

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2024				Carrying amount at 31 December 2024 RMB'000
	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	
Lease liabilities	6,389	1,419	–	7,808	7,633
Trade payables	31	–	–	31	31
Financial liabilities included in other payables and accruals	111,739	–	–	111,739	111,739
	118,159	1,419	–	119,578	119,403

	As at 31 December 2023				Carrying amount at 31 December 2023 RMB'000
	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	
Lease liabilities	5,890	2,773	–	8,663	8,416
Trade payables	649	–	–	649	649
Financial liabilities included in other payables and accruals	74,869	–	–	74,869	74,869
	81,408	2,773	–	84,181	83,934

(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 lease liabilities, bank loans and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through purchases and investments which give rise to cash balances, time deposits and other payables that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Hong Kong dollars. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

(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 year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2024 RMB'000	2023 RMB'000
<i>United States Dollars</i>		
Cash and cash equivalents	8,056	15,221
Time deposits	394,473	362,597
Other payables	(16,122)	(2,173)
Net exposure	<u>386,407</u>	<u>375,645</u>
<i>Hong Kong Dollars</i>		
Cash and cash equivalents	219	467
Net exposure	<u>219</u>	<u>467</u>

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) 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. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2024		2023	
	Increase/ (decrease) in foreign exchange rate %	Effect on profit after tax and retained profits <i>RMB'000</i>	Increase/ (decrease) in foreign exchange rate %	Effect on profit after tax and retained profits <i>RMB'000</i>
United States Dollars	5%	19,321	5%	18,782
	(5%)	(19,321)	(5%)	(18,782)
Hong Kong Dollars	5%	11	5%	23
	(5%)	(11)	(5%)	(23)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

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. 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 for 2023.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

As at 31 December 2024

Fair value at 31 December 2024 RMB'000	Fair value measurement at 31 December 2024 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement			
Financial assets at FVPL			
– Wealth management products	7,365	–	7,365
– Listed equity securities	53,526	–	–
Financial assets at FVOCI			
– Transferable certificate of deposit	30,865	–	30,865

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

As at 31 December 2023

	Fair value at 31 December 2023 RMB'000	Fair value measurement at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at FVPL				
– Wealth management products	24,829	–	24,829	–

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2023.

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

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of transferable certificate of deposit measured at fair value are determined by calculating based on the annualised interest rates.

Notes to the Financial Statements

31 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Plant and machinery	645	174

The Group has entered several exclusive license agreements with other parties and is eligible to pay potential milestone payments in relation to these agreements.

32 CONTINGENT LIABILITIES

On 29 December 2022, Viking Therapeutics, Inc. (“Viking”), a pharmaceutical company in the United States, filed certain complaints against the Company, its founder Jinzi Jason WU and certain subsidiaries of the Company in connection with the Group’s drug candidates ASC41 and ASC43F. One complaint was made with the United States International Trade Commission, Washington D.C. (the “ITC”) and another complaint was made with the United States District Court, Southern District of California, (the “USDC”) San Diego Division, each covering similar allegations.

On 4 October 2024, the Company received an initial determination from the ITC on the complaint (the “Initial Determination”). The Initial Determination, made by an Administrative Law Judge of the ITC, found a violation of Section 337 of the Tariff Act of 1930 (as amended) in the importation of the Company’s drug candidates ASC41 and ASC43F into the United States. In addition, a monetary sanction of USD567,000 (equivalent to approximately RMB4,038,000) was proposed due to certain procedural issues during the investigation phase. The Company has made a provision for this monetary sanction in the financial statements. As Viking’s complaint made with the ITC does not include any pecuniary compensation, the Company believes that the Complaint will not have any material adverse effect on the Group.

Regarding the complaint made with USDC, there has been no major progress since 1 January 2024, and the relevant investigation and litigation proceedings are ongoing. The Company will vigorously defend against the complaint. Accordingly, the Group has not made any provision for the allegations arising from the complaint made with USDC filed by Viking as at 31 December 2024.

Notes to the Financial Statements

33 RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration:

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Salaries, wages and other benefits	45,739	24,471
Discretionary bonuses	18,436	44,267
Contributions to defined contribution retirement plan	411	508
Equity settled share-based payment expenses	1,477	1,365
	<u>66,063</u>	<u>70,611</u>

Total remuneration is included in staff costs (see Note 6(b)).

(b) Names and relationship of the related parties that had material transactions with the Group during the reporting period

Name of the related party	Relationship
Sagimet (<i>Note</i>)	Associate of the Group
Northridge	Entity controlled by Jinzi Jason WU

Note:

- (i) Sagimet is no longer a related party company of the Group since 5 June 2024.

(c) Transactions with related parties

	Notes	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue from providing R&D service	<i>(i)</i>	602	–
Purchase of other intangible assets	<i>(ii)</i>	–	13,553
Payments made on behalf of related party		–	853
		<u>–</u>	<u>14,406</u>

Notes:

- (i) The revenue from related parties was based on the price mutually agreed between the parties.
(ii) The detail of purchasing of other intangible assets disclosed in note 13.

Notes to the Financial Statements

33 RELATED PARTY TRANSACTIONS (Continued)

(d) Balance with related parties

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	152	–
Prepayments, other receivables and other assets	–	865

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Non-current assets		
Investments in subsidiaries	1,768,604	1,739,498
Long-term deferred expenditure	–	6
Total non-current assets	1,768,604	1,739,504
Current assets		
Other current assets	1,952	394
Amount due from subsidiaries	67,108	–
Financial assets at fair value through profit or loss	7,365	6,145
Time deposits	679,962	1,406,130
Cash and cash equivalents	609,914	821
Total current assets	1,366,301	1,413,490
Current liabilities		
Other payables and accruals	30,313	48,493
Total current liabilities	30,313	48,493
Net current assets	1,335,988	1,364,997
Total assets less current liabilities	3,104,592	3,104,501
NET ASSETS	3,104,592	3,104,501
EQUITY		
Share capital	689	731
Reserves	3,103,903	3,103,770
TOTAL EQUITY	3,104,592	3,104,501

Notes to the Financial Statements

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates – Lack of exchangeability</i>	1 January 2025
Amendments to HKFRS 9, Financial instruments and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

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

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Grant of share options

On 3 February 2025, the Company held an extraordinary general meeting (“EGM”), during which shareholders approved the adoption of 2025 Share Option Scheme and the 2025 Share Award Scheme and the grant of 4,820,175 options to a key management personnel pursuant to the 2025 Share Option Scheme and the grant of 5,784,210 share awards pursuant to the 2025 Share Award Scheme.

(b) Cancellation of the share repurchased

The Company cancelled 6,349,000 and 36,889,790 shares on 7 January 2025 and 13 February 2025.

Definitions

“2024 Allocation”	the change in the use of Proceeds pursuant to the announcement of the Company dated September 23, 2024
“2025 Allocation”	the change in the use of Proceeds pursuant to the resolutions resolved by the Board on March 26, 2025
“AEs”	adverse events
“AGM”	annual general meeting of the Company
“Ascletis”, “Company”, “the Company” or “We”	Ascletis Pharma Inc. (歌禮製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 25, 2014
“Ascletis BioScience”	Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司), a limited liability company established in the PRC on April 26, 2013 and an indirectly wholly-owned subsidiary of the Company
“Ascletis Pharmaceuticals”	Ascletis Pharmaceuticals Co., Ltd. (歌禮藥業(浙江)有限公司), a limited liability company established in the PRC on September 24, 2014 and an indirectly wholly-owned subsidiary of the Company
“Ascletis Pharma (China)”	Ascletis Pharma (China) Co., Limited (歌禮製藥(中國)有限公司), a company incorporated in Hong Kong with limited liability on March 15, 2018 and an indirectly wholly-owned subsidiary of the Company
“Ascletis Xinnuo Medicine”	Ascletis XinNuo Medicine (Hangzhou) Co., Ltd. (歌禮欣諾醫藥(杭州)有限公司), a limited liability company established in the PRC on July 24, 2018 and an indirectly wholly-owned subsidiary of the Company
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CA”	cell-associated
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	the chairman of the Board
“CHB”	chronic hepatitis B
“China”, “Mainland China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan

Definitions

“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Judy Hejingdao Wu, JJW12 Limited, Lakemont Holding LLC and the Lakemont Remainder Trust, as a group, or any member of them
“COVID-19”	An infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus)
“Director(s)”	the director(s) of the Company
“Dr. Wu”	Dr. Jinzi Jason WU (吳勁梓), our Founder and the spouse of Mrs. Judy Hejingdao Wu, chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders
“EGM”	the extraordinary general meeting of the Company
“FASN”	fatty acid synthase
“FDA”	U.S. Food and Drug Administration
“FVPL”	fair value through profit or loss
“Gannex” or “Gannex Pharma”	Gannex Pharma Co., Ltd. (甘萊製藥有限公司), a limited liability company incorporated under the laws of the PRC on September 3, 2019 and an indirectly wholly-owned subsidiary of the Company
“GBM”	glioblastoma
“GLP-1R”	GLP-1 receptor
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Greater China”	Mainland China, Hong Kong, Macau and Taiwan
“Group”, “our Group” or “the Group”	the Company and its subsidiaries
“HIV”	human immunodeficiency virus
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Definitions

“IND(s)”	investigational new drug(s), (an) experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
“Initial Determination”	an initial determination received by the Group on the complaint filed with ITC, Washington D.C. on October 4, 2024
“ITC”	the United States International Trade Commission
“LDL-C”	low-density lipoprotein cholesterol
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“MASH”	metabolic dysfunction-associated steatohepatitis
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“New York Stock Exchange”	a stock exchange based in New York City in the United States
“PBC”	primary biliary cholangitis
“PRC Pension Scheme”	the central pension scheme operated by the local municipal government
“PowerTree”	PowerTree Investment (BVI) Ltd., a company incorporated in the BVI with limited liability on January 13, 2011 and wholly owned by the Company
“Prospectus”	the prospectus issued by the Company dated July 20, 2018
“R&D”	research and development
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of the PRC
“Reporting Period”	the one-year period from January 1, 2024 to December 31, 2024
“rGBM”	recurrent glioblastoma
“Roche”	F. Hoffmann-La Roche AG
“RSV”	respiratory syncytial virus

Definitions

“Sagimet”	Sagimet Biosciences Inc., a corporation incorporated in Delaware in December 2006, whose shares are listed on the Nasdaq Stock Market (stock code: SGMT)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Roche”	Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司)
“Shanghai Stock Exchange”	a stock exchange based in the city of Shanghai, PRC
“Share(s)”	ordinary shares in the share capital of our Company of US\$0.0001 each
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme adopted by the Company on June 6, 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shenzhen Stock Exchange”	a stock exchange based in the city of Shenzhen, PRC
“THR β ”	thyroid hormone receptor beta
“Treasury Shares”	has the meaning ascribed to it under the Listing Rules
“U.S.”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s)”, “USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“VEGF”	vascular endothelial growth factor
“Viking”	Viking Therapeutics, Inc.
“Written Guidelines”	the Guidelines for Securities Transactions by Directors adopted by the Company
“%”	per cent

In this annual report, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.