Sunho Biologics, Inc.

盛禾生物控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2898)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2024 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2023.

HIGHLIGHTS

	2024	2023
	RMB'000	*RMB'000*
	(audited)	(audited)
Other income	**9,485**	21,005
Other Gains and Losses, Net	**38,704**	(49,615)
R&D Expenses	**(71,117)**	(43,041)
Administrative Expenses	**(30,276)**	(40,701)
Finance Costs	**(919)**	(692)
Listing Expenses	**(25,842)**	(19,587)
Loss for the period	**(79,965)**	(132,701)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

R&D of product candidates

Our R&D capabilities cover development of candidates in the forms of mAbs, bispecific antibodies ("**bsAbs**"), and fusion proteins, some of which extend indications into treatment areas beyond oncology. Our Core Product IAH0968 is an ADCC enhanced mAb targeting human epidermal growth factor receptor 2 ("**HER2**") with 100% fucose knock out, which greatly enhances the binding affinity of its fragment crystallizable ("**Fc**") to its receptor FcγRIIIa. ADCC is an immune mechanism through which Fc receptor-bearing effector cells including natural killer ("**NK**") cells and CD+8 T cells can recognize and kill antibody-coated target cells expressing tumor- or pathogen-derived antigens on their surface. It is one of the most important methods for antibody drugs to kill tumor cells. The typical ADCC involves activation of NK cells by antibodies in a multi-tiered progression of immune control. A NK cell expresses Fcγ receptors ("**FcγR**"). These receptors recognize and bind to the Fc domain of an antibody, and the antigen binding fragment ("**Fab**") domain of which binds to the tumor associated antigen ("**TAA**") on the tumor cell. When both TAA and FcγR are engaged respectively by the Fab and Fc portions of the antibody, ADCC is initiated, since this creates a bridge from the tumor cell to the effector cell. However, the natural affinity between antibodies and FcγR is relatively weak, and Fc engineering to enhance affinity has become a common method.

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

IAH0968

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

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

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

IAP0971

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

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

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

IAE0972

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

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

We also obtained the IND approval for conducting Phase II and Phase III clinical trials of IAE0972 in combination with chemotherapy in recurrent or metastatic head and neck squamous cell carcinoma ("**HNSCC**") and nasopharyngeal carcinoma ("**NPC**") from the NMPA in September 2024.

Other pipeline products

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

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

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

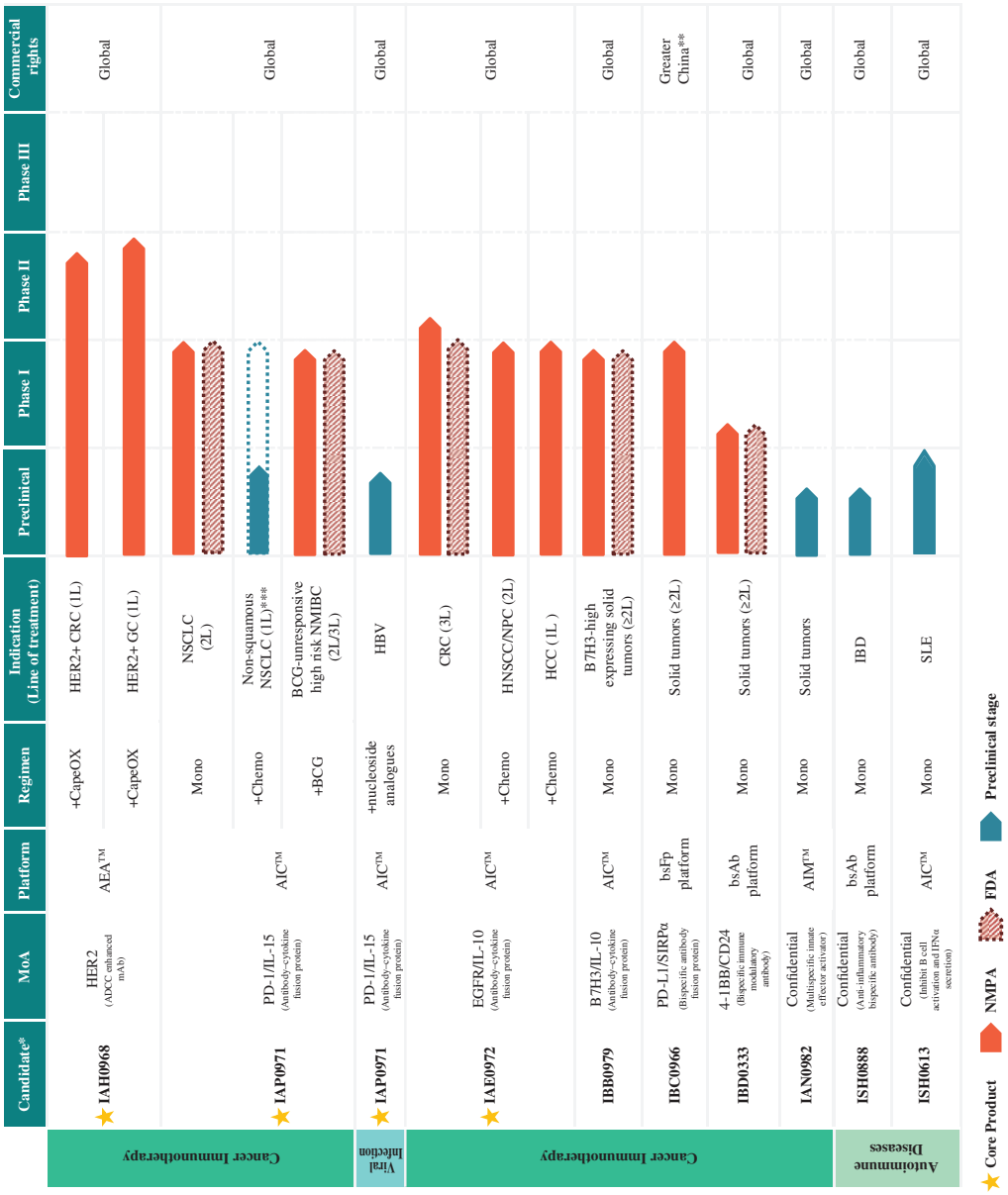
- **IBD0333:** IBD0333 is a clinical stage 4-1BB and CD24 bsAb that simultaneously stimulates both innate and adaptive immunity to achieve strong synergistic effects with reduced hepatotoxicity. It is designed to bind to 4-1BB, a robust immune cell activator expressed by CD8+ T cells as well as DC cells,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

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

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

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

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



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

Notes:

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

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

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

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

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

OUR PLATFORMS

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

AIC™ Platform

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

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

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

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

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

AEA™ Platform

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

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

AIM™ Platform

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

R&D

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

COLLABORATION ARRANGEMENT

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

Manufacturing

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

FUTURE AND OUTLOOK

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

- Focus on the development of immunocytokines to enhance position in this drug development field;

- Continue advancing selected pipeline products with great clinical value and commercial potential;

- Expand our GMP-compliant manufacturing facility to enhance our production capabilities and start to assemble our commercial team;

- Actively seek international collaboration opportunities to maximize value of our assets and increase brand awareness on a global scale; and

- Continue to focus on selecting and retaining top talents to fuel our innovation.

FINANCIAL REVIEW

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

Other Income

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

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

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

Other Gains and Losses, Net

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

R&D Expenses

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

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

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

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

Administrative Expenses

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

Finance Costs

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

Listing Expenses

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

Income Tax Expenses

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

Loss for the Period

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

Liquidity and Financial Resources

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

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

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

Indebtedness

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

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

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

Gearing Ratio

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

Significant Investments, Material Acquisitions and Disposal

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

Future Plans for Material Investments or Capital Assets

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

Capital Commitments

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

Contingent Liabilities

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

Pledge of Assets

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

Foreign Exchange Exposure

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

Use of Proceeds

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

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

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

Events after the Reporting Period

Save as disclosed in note 9 of the notes to the consolidated financial statements for the year ended December 31, 2024 of the Group, there has been no important event subsequent to the Reporting Period and up to the date of this announcement, which would affect the Group's business operations in material aspects.

Employee and Remuneration

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

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

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions in the Corporate Governance Code ("**CG Code**") set out in Appendix C1 to the Listing Rules and has complied with all applicable code provisions of the CG Code from the Listing Date to December 31, 2024.

Model Code for Securities Transactions

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

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date to December 31, 2024 (including sale of treasury share, if any). As at December 31, 2024, the Company did not hold any treasury shares.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHAN Heung Wing Anthony, Ms. FENG Lan and Mr. SHI Luwen. Mr. CHAN Heung Wing Anthony is the chairman of the Audit Committee, who possesses suitable professional qualifications.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements and the annual results of the Group for the Reporting Period (with no disagreement), together with the management of the Company. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters of the Group for the Reporting Period.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on March 31, 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Final Dividend

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

PUBLICATION OF ANNAUL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunho-bio.com.cn).

The annual report of the Company for the year ended December 31, 2024 containing all the information required by the Listing Rules will be sent to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

		Year ended December 31,	
	Notes	**2024**	2023
		RMB'000	*RMB'000*
Other income	*5*	**9,485**	21,005
Other expenses		**–**	(70)
Other gains and losses, net	*6*	**38,704**	(49,615)
Research and development expenses		**(71,117)**	(43,041)
Administrative expenses		**(30,276)**	(40,701)
Listing expenses		**(25,842)**	(19,587)
Finance costs		**(919)**	(692)
Loss before tax		**(79,965)**	(132,701)
Income tax expense	*7*	**–**	–
Loss and total comprehensive expense for the year		**(79,965)**	(132,701)
Loss per share			
— Basic and diluted (RMB)		**(0.62)**	(1.43)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2024

	Notes	As at December 31, 2024 RMB'000	2023 RMB'000
Non-current assets			
Property and equipment		**34,812**	41,119
Right-of-use assets		**16,992**	9,587
Intangible asset		**10,000**	10,000
Equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**910**	–
Prepayments for acquisition of equipment		**2,523**	103
Refundable fulfilment deposits		**2,500**	2,500
		67,737	63,309
Current assets			
Inventories		**974**	818
Deposits, prepayments and other receivables	*8*	**24,231**	16,256
Financial assets at fair value through profit or loss ("**FVTPL**")	*9*	**158,825**	–
Other financial assets		**–**	49,579
Time deposits		**219,468**	35,414
Restricted bank deposits		**10,509**	–
Cash and cash equivalents	*10*	**78,991**	125,074
		492,998	227,141
Current liabilities			
Trade and other payables	*11*	**7,601**	73,960
Bank loans	*12*	**34,300**	–
Lease liabilities		**2,245**	2,178
Financial liabilities at FVTPL		**–**	311,525
		44,146	387,663
Net current assets/(liabilities)		**448,852**	(160,522)
Total assets less current liabilities		**516,589**	(97,213)

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

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are mainly committed to the develop regulate immune microenvironment by directly modulating both the innate and adaptive immune systems.

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

Borrowing costs

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

Government grants

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

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

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

Inventories

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

Cash and cash equivalents

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

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

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

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

4. SEGMENT INFORMATION

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

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

Geographical information

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

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

5. OTHER INCOME

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

Notes:

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

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

6. OTHER GAINS AND LOSSES, NET

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

7. INCOME TAX EXPENSE

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

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

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

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

* *English name for identification purpose only.*

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

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

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

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

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

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

* *Amount less than RMB1,000*

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

9. EQUITY INSTRUMENT AT FVTOCI/FINANCIAL ASSETS AT FVTPL

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

Notes:

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

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

10. TIME DEPOSITS/RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

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

Notes:

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

ii. Restricted bank deposits are held by the Company and are denominated in USD and represent balances for the purpose of secured bank loans (note 12).

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

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

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

12. BANK LOANS

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

Notes:

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

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Company" or "we"	Sunho Biologics, Inc. (盛禾生物控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on May 14, 2021 and the issued Shares of which are listed on the Stock Exchange (Stock Code: 2898)
"Core Products"	namely, IAH0968, IAP0971 and IAE0972
"Director(s)"	the director(s) of our Company
"FDA"	U.S. Food and Drug Administration
"Group"	collectively, the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application, or CTA, in China
"Listing Date"	May 24, 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"PRC" or "China" or "Mainland China"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Prospectus"	prospectus of the Company dated May 16, 2024
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Scheme"	the RSU scheme approved and adopted by the Company on August 2, 2023
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0005 each
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"treasury share(s)"	has the meaning ascribed to it under the Listing Rules
"USD" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent

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

Hong Kong, March 31, 2025

As of the date of this announcement, the executive Directors are Mr. ZHANG Feng, Dr. YIN Liusong, Ms. JIANG Xiaoling; the non-executive Director is Mr. FAN Rongkui; and the independent non-executive Directors are Mr. CHAN Heung Wing Anthony, Ms. FENG Lan, and Mr. SHI Luwen.